2. Significant accounting policies (cont'd)

2.15 Leases

When the Company and the Group is the lessee:

The Company and the Group leases certain property, plant and equipment under finance leases from third parties.

Finance leases

Leases where the Company and the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are taken to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.16 Employee compensation

The Company's and the Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company and the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company and the Group has no further payment obligations once the contributions have been paid. The Company's and the Group's contributions are recognised as employee compensation expense when they are due.

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2. Significant accounting policies (cont'd)

2.17 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the years, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18 Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investment in subsidiary are stated at cost less any impairment loss in the Company's balance sheet. On disposal of a subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is taken to the statement of comprehensive income.

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2. Significant accounting policies (cont'd)

2.19 Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale of property, plant and equipment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: -

(a) Useful lives of property, plant and equipment and depreciation

The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated economic useful lives of property, plant and equipment. Management reviews the estimated useful lives of these property, plant and equipment as disclosed in note 2.8 above based on the common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Company's and the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 4 to the financial statements.

(b) Impairment of plant and equipment

The Company assesses annually whether property, plant and equipment has any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on the higher of the fair value less cost to sell and value-in-use which requires the use of judgement and estimates. The carrying amounts of the Company's and the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 4 to the financial statements.

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3. **Critical accounting estimates, assumptions and judgements (cont'd)**

(c) Intangible assets and amortisation

Intangible assets of the Company and the Group comprised mainly cost of patents and trademark registrations. Management reviews the economic useful lives regularly and such intangible assets are amortised over the estimated useful lives of 10 years. Assessments for impairment are carried out whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. The carrying amounts of the Company's and the Group's intangible assets at the end of the reporting period are disclosed in Note 6 to the financial statements.

(d) Impairment of loans and receivables

The Company and the Group assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company and the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Based on the directors assessment, no impairment is required. The carrying amounts of the Company's and the Group's receivables at the end of the reporting period are disclosed in Note 9 to the financial statements.

(e) Allowance for obsolete inventories

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of the Group's inventories were disclosed in Note 8 to the financial statements.

(f) Tax incentive scheme

The Company was granted the Pioneer Incentive – Manufacturing ("Tax Incentive") for an initial period of 5 years by the Economic Development Board, Singapore ("EDB") commencing 1 April 2012, subject to certain terms and conditions as stipulated in the letter of award. The tax incentive may be extended for another 10 years subject to the Company meeting the additional terms and conditions as stipulated in the said letter of award for the extension. As at 31 March 2014, based on the directors' judgement, these conditions are likely to be met.

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4. Property, plant and equipment

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
GROUP							
2014							
Cost							
Beginning of financial year	14,029,280	1,562,320	149,540	642,015	45,129,284	21,511,263	83,023,702
Additions	-	209,882	54,412	430,134	10,226,708	5,453,854	16,374,990
Transfer from construction and project work-in-progress	-	979,551	-	-	513,634	-	1,493,185
Disposal of subsidiary	-	(6,769)	(728)	(1,575)	(17,235)	-	(26,307)
Disposal	-	(56,335)	(5,738)	(173,703)	(735,998)	(3,162,471)	(4,134,245)
End of financial year	14,029,280	2,688,649	197,486	896,871	55,116,393	23,802,646	96,731,325
Accumulated depreciation							
Beginning of financial year	165,050	374,893	64,456	284,588	14,155,346	3,267,665	18,311,998
Depreciation charged	495,150	398,999	49,114	136,116	5,395,153	1,407,707	7,882,239
Disposal	-	(16,239)	(3,092)	(89,475)	(567,789)	(2,709,759)	(3,386,354)
End of financial year	660,200	757,653	110,478	331,229	18,982,710	1,965,613	22,807,883
Net book value							
End of financial year	13,369,080	1,930,996	87,008	565,642	36,133,683	21,837,033	73,923,442

4. Property, plant and equipment (cont'd)

The carrying amounts of property, plant and equipment acquired under finance lease obligations for the Company and the Group were USD10,544,353 and USD10,544,353 (2013: USD11,564,178 and USD11,564,178) respectively.

During the financial year, the Company and the Group acquired property, plant and equipment costing USD16,200,080 and USD16,374,990 respectively (2013: USD21,858,802 and USD21,651,176 respectively) of which USD430,134 and USD430,134 respectively (2013: USD11,913,988 and USD11,913,988 respectively) was acquired by finance lease obligations. Acquisition of property, plant and equipment other than acquired by finance lease obligations costing USD15,769,946 and USD15,944,856 respectively (2013: USD9,862,357 and USD9,654,731 respectively) were funded mainly by bank loans.

As at 31 March 2014, leasehold building and plant and equipment excluding the finance lease obligations disclosed above were pledged to secure bank loans granted to the Company and the Group as disclosed in Note 12 to the financial statements.

The estimated fair values of the leasehold building are approximately S$26,000,000 (equivalent to USD20,906,600) based on independent valuation dated 6 June 2012.

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4. Property, plant and equipment

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
GROUP							
2013							
Cost							
Beginning of financial year	-	249,724	71,999	498,895	26,666,042	3,281,104	30,767,764
Additions	-	342,588	77,541	143,120	18,490,827	2,597,100	21,651,176
Transfer from construction and project work-in-progress	14,029,280	970,008	-	-	-	15,633,059	30,632,347
Disposal	-	-	-	-	(27,585)	-	(27,585)
End of financial year	14,029,280	1,562,320	149,540	642,015	45,129,284	21,511,263	83,023,702
Accumulated depreciation							
Beginning of financial year	-	94,208	31,259	200,482	10,620,960	1,206,667	12,153,576
Depreciation charged	165,050	280,685	33,197	84,106	3,561,971	2,060,998	6,186,007
Disposal	-	-	-	-	(27,585)	-	(27,585)
End of financial year	165,050	374,893	64,456	284,588	14,155,346	3,267,665	18,311,998
Net book value							
End of financial year	13,864,230	1,187,427	85,084	357,427	30,973,938	18,243,598	64,711,704

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4. Property, plant and equipment (cont'd)

The carrying amounts of property, plant and equipment acquired under finance lease obligations for the Company and the Group were USD11,564,178 and USD11,564,178 respectively (2012: USD298,413 and USD298,413 respectively).

During the financial year, the Company and the Group acquired property, plant and equipment costing USD21,858,802 and USD21,651,176 respectively (2012: USD12,229,164 and USD12,101,989 respectively) of which USD11,913,988 and USD11,913,988 respectively (2012: USD57,410 and USD57,410 respectively) was acquired by finance lease obligations. Acquisition of property, plant and equipment other than acquired by finance lease obligations costing USD9,862,357 and USD9,654,731 respectively (2012: USD12,171,754 and USD12,044,579 respectively) were funded mainly by bank loan.

As at 31 March 2013, leasehold building with net book value of USD13,864,230 (2012: USD1,876,822) were pledged to secure bank loan granted to the Company and the Group (Note 12).

The estimated fair values of the leasehold building are approximately S$26,000,000 (equivalent to USD20,906,600) based on independent valuation dated 6 June 2012.

Changes in estimates

During the financial year, the Company and the Group reviewed the useful lives of its property, plant and equipment which resulted in changes in the expected usage of certain items of property, plant and equipment. The expected useful lives of these assets was assessed to be shorter and as a result, the changes expected on depreciation expenses, recognised in profit and loss account, in current and future years are as follows:

	2013 USD	2014 USD	2015 USD	2016 USD	2017 USD	Total USD
Increase/(decrease) in depreciation expense	1,102,171	270,237	(336,732)	(188,533)	(148,264)	698,879

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4. Property, plant and equipment (cont'd)

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
COMPANY							
2014							
Cost							
Beginning of financial year	14,029,280	1,555,551	141,346	640,440	45,739,586	21,242,917	83,349,120
Additions	-	209,882	45,965	430,134	10,347,944	5,166,155	16,200,080
Transfers from construction and project work-in-progress	-	979,551	-	-	513,634	-	1,493,185
Disposal	-	(56,335)	(5,738)	(173,703)	(735,998)	(3,162,471)	(4,134,245)
End of financial year	14,029,280	2,688,649	181,573	896,871	55,865,166	23,246,601	96,908,140
Accumulated depreciation							
Beginning of financial year	165,050	374,893	63,004	284,588	14,170,450	3,230,395	18,288,380
Depreciation charged	495,150	398,999	43,788	136,116	5,389,301	1,251,344	7,714,698
Disposal	-	(16,239)	(3,092)	(89,475)	(567,789)	(2,709,759)	(3,386,354)
End of financial year	660,200	757,653	103,700	331,229	18,991,962	1,771,980	22,616,724
Net book value							
End of financial year	13,369,080	1,930,996	77,873	565,642	36,873,204	21,474,621	74,291,416

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4. Property, plant and equipment (cont'd)

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
COMPANY							
2013							
Cost							
Beginning of financial year	-	249,724	71,999	498,895	26,793,217	3,281,104	30,894,939
Additions	-	335,819	69,347	141,545	18,983,337	2,328,754	21,858,802
Transfer from/(to) construction and project work-in-progress	14,029,280	970,008	-	-	-	15,633,059	30,632,347
Disposal	-	-	-	-	(36,968)	-	(36,968)
End of financial year	14,029,280	1,555,551	141,346	640,440	45,739,586	21,242,917	83,349,120
Accumulated depreciation							
Beginning of financial year	-	94,208	31,259	200,482	10,620,960	1,206,667	12,153,576
Depreciation charged	165,050	280,685	31,745	84,106	3,578,326	2,023,728	6,163,640
Disposal	-	-	-	-	(28,836)	-	(28,836)
End of financial year	165,050	374,893	63,004	284,588	14,170,450	3,230,395	18,288,380
Net book value							
End of financial year	13,864,230	1,180,658	78,342	355,852	31,569,136	18,012,522	65,060,740

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5. Construction and projects work-in-progress

	Building USD	Electrical installation USD	Software USD	Renovation USD	Total USD
Group and Company					
2014					
Cost					
Beginning of financial year	-	-	1,438,128	-	1,438,128
Additions	-	-	863,934	-	863,934
Transfer to property, plant and equipment	-	-	(1,493,185)	-	(1,493,185)
End of financial year	-	-	808,877	-	808,877
2013					
Cost					
Beginning of financial year	13,265,397	409,994	932,983	-	14,608,374
Additions	763,883	196,745	1,475,153	15,026,320	17,462,101
Transfer to property, plant and equipment	(14,029,280)	(606,739)	(970,008)	(15,026,320)	(30,632,347)
End of financial year	-	-	1,438,128	-	1,438,128

Construction and projects work-in-progress relate to property, plant and equipment to be constructed or developed for the Company and the Group and are stated at cost. Transfers are made to property, plant and equipment upon completion.

6. Intangible assets

	Goodwill on consolidation USD	Patents and trademarks USD	Total USD
Group			
2014			
Cost			
Beginning of financial year	13,005	138,999	152,004
Additions	-	224,883	224,883
End of financial year	13,005	363,882	376,887
Accumulated amortisation			
Beginning of financial year	-	9,444	9,444
Amortisation charged	-	14,855	14,855
End of financial year	-	24,299	24,299
Net book value			
End of financial year	13,005	339,583	352,588
2013			
Cost			
Beginning of financial year	13,005	87,856	100,861
Additions	-	51,143	51,143
End of financial year	13,005	138,999	152,004
Accumulated amortisation			
Beginning of financial year	-	6,296	6,296
Amortisation charged	-	3,148	3,148
End of financial year	-	9,444	9,444
Net book value			
End of financial year	13,005	129,555	142,560

Goodwill on consolidation arose from the acquisition of the subsidiary, Helios International Pte. Ltd.

6. Intangible assets (cont'd)

	Patents and trademarks USD
<u>Company</u>	
2014	
Cost	
Beginning of financial year	138,999
Additions	224,883
End of financial year	363,882
Accumulated amortisation	
Beginning of financial year	9,444
Amortisation charged	14,855
End of financial year	24,299
Net book value	
End of financial year	339,583
2013	
Cost	
Beginning of financial year	87,856
Additions	51,143
End of financial year	138,999
Accumulated amortisation	
Beginning of financial year	6,296
Amortisation charged	3,148
End of financial year	9,444
Net book value	
End of financial year	129,555

7. Investment in subsidiaries

	2014 USD	2013 USD
<u>The Company</u>		
Unquoted equity shares, at cost	50,001	50,201

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7. Investment in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Percentage of effective equity held by the Group 2014 %	2013 %
Sungate Oriental Limited**	Investment holding company	British Virgin Islands	100	100
Held through Sungate Oriental Limited				
Helios International Pte Ltd*	Business of assembly, construction and sale of chemical vapour deposition machine	Singapore	100	100

* Audited by AT ADLER, Public Accountants and Chartered Accountants, Singapore

** Not required to be audited in the country of incorporation

8. Inventories

	Group 2014 USD	Group 2013 USD	Company 2014 USD	Company 2013 USD
Raw materials	8,096,236	461,604	8,075,180	440,548
Components and parts	979,166	3,330,653	145,293	-
Work-in-progress	863,772	1,740,197	863,772	1,740,197
Finished goods	2,045,749	2,636,941	2,045,749	2,636,941
Production supplies	36,159	-	36,159	-
	12,021,082	8,169,395	11,166,153	4,817,686
Deposits and advances made to suppliers	2,819,634	1,179,816	-	-
	14,840,716	9,349,211	11,166,153	4,817,686

Deposits and advances paid to suppliers comprised mainly labour charges, costs of spare parts and components send to subcontractors for assembling and construction of equipment for resale.

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9. Trade and other receivables

	Group		Company	
	2014 USD	**2013 USD**	**2014 USD**	**2013 USD**
Trade receivable				
- Third parties	29,602,383	21,795,084	29,599,405	21,716,092
- Fellow subsidiary	-	-	-	934,528
- Related parties	561,838	3,365,889	561,838	3,239,111
	30,164,221	25,160,973	30,161,243	25,889,731
Other receivables	2,002	1,023	2,002	2,052
Amounts due from subsidiaries (non-trade)	-	-	4,668,566	4,267,335
Amounts due from related parties (non-trade)	225,779	-	225,779	-
Amounts due (to)from a director	(967)	32,548	(967)	32,548
Prepayments	152,209	140,525	149,422	134,652
Deposits	349,192	657,352	284,002	600,817
GST receivable	9,702	550,928	3,310	466,137
	30,902,138	26,543,349	35,493,357	31,393,272

Amounts due from related parties, a director and a subsidiary are unsecured, non-interest bearing and repayable on demand.

10. Share capital

	Group and Company	
	Number of ordinary shares	**Amount USD**
2014		
Beginning and end of financial year	58,081,508	71,767,830
2013		
Beginning of financial year	41,081,508	54,767,830
Issuance of shares	17,000,000	17,000,000
End of financial year	58,081,508	71,767,830

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10. Share capital (cont'd)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

During the financial year, the Company issued Nil (2013: 17,000,000) ordinary shares for a total consideration of USDNil (2013: USD17,000,000) by way of utilisation of credit balance due to holding company.

11. Finance lease obligations

	Minimum payments		Present value of minimum payments	
	2014 USD	2013 USD	2014 USD	2013 USD
Group and Company				
Finance lease payments payable				
Within one year	1,863,660	832,087	1,527,254	603,794
Within two to five years	6,647,794	7,346,772	5,977,057	6,409,586
After five years	206,566	1,307,628	192,260	1,266,328
	8,718,020	9,486,487	7,696,571	8,279,708
Interest allocated to future periods	(1,021,449)	(1,206,779)	-	-
	7,696,571	8,279,708	7,696,571	8,279,708

The average effective interest rate is 5.812% (2013: 4.78%) per annum.

12. Bank loans

	Group and Company	
	2014 USD	2013 USD
Current	3,691,538	357,805
Non-current		
- Within 2 to 5 years	15,629,272	1,587,138
- After 5 years	4,641,641	4,505,994
	20,270,913	6,093,132
	23,962,451	6,450,937

12. Bank loans (cont'd)

Banking facilities with a financial institution ("Banking Facility I") are secured on a first legal mortgage on the Company's leasehold building as disclosed in Note 4. Part of the bank loans of approximately USD10,173,017 (2013: USDNil) are repayable in 60 monthly instalments at an effective average interest rate of 2.22% (2013: Nil) and the remaining bank loan of approximately USD6,651,742 (2013: USD6,450,937 repayable over 168 monthly instalments at an effective interest rate of 1.91% (2013: 1.87%).

During the financial year, the Company received loan disbursement ("Banking Facilities II") from another financial institution. The loan is secured on certain plant and equipment, a promissory note of USD22,000,000 subscribed by IIA Technologies Pte Ltd and a negative pledge over all the assets of the Company and the Group. The facility is repayable in 6 equal instalments from Feb 2015 to August 2017 at float rate of libor plus margin. The interest rate used in financial year 2014 was 3.98%.

13. Trade and other payables

	Group		Company	
	2014 USD	**2013 USD**	**2014 USD**	**2013 USD**
Trade payables				
- Third parties	3,068,243	2,549,494	2,367,850	389,868
- Subsidiaries	-	-	-	3,562,421
- Related parties	94,930	1,103,485	94,930	1,103,485
	3,163,173	3,652,979	2,462,780	5,055,774
Other payables	2,213,791	5,968,224	2,213,791	5,886,580
Amounts due to related parties (non-trade)	1,096,605	2,062,822	13,643	97,153
Amounts due to holding company (non-trade)	3,890,144	5,069,391	3,890,144	5,069,391
Amount due to subsidiary company (non-trade)	-	-	50,000	50,000
Accruals	625,282	2,823,812	591,744	2,449,040
	10,988,995	19,577,228	9,222,102	18,607,938

Amounts due from related parties, holding company, subsidiary and a director are unsecured, non-interest bearing and repayable on demand.

14. Revenue

This represents invoiced value of sales and services rendered during the financial year, less discounts, returns and Goods and Services Tax.

15. Other income

	Group	
	2014 USD	2013 USD
Interest income	81	75
Management fees	-	55,483
Productivity Innovation Credit	173,210	-
Gain on disposal of subsidiary	147,632	-
Other income	7,977	26,239
	328,900	81,797

16. Financial expenses

	Group	
	2014 USD	2013 USD
Bank charges	55,962	36,888
Interest on bank overdrafts	-	55
Interest on finance lease obligations	430,799	168,284
Interest on late payments	486	629
Interest on bank loan	368,936	98,514
	856,183	304,370

17. Profit before income tax

The following items have been included in arriving at profit before income tax:-

	Group	
	2014 USD	2013 USD
Depreciation of property, plant and equipment	7,882,239	6,186,007
Amortisation of intangible assets	14,855	3,148
Directors' remuneration and fees	643,179	327,677
Inventories written down to net realisable value	-	2,659,016
Inventories recognised as cost in cost of sales	41,556,991	16,840,138
Loss/(gain) on foreign exchange	(351,817)	157,716
Rental of premises and equipment	931,766	1,117,493
Staff cost		
- salaries, bonuses and benefits	5,263,572	4,727,499
- Central Provident Fund	468,896	389,598

18. Income tax (credit)/expense

	Group	
	2014 USD	2013 USD
Tax expense attributable to profit is made up of:-		
Current tax		
(Over)/under provision for previous year	(32,782)	26,860

The tax expense on the results for the financial year differs from the amount of income tax determined by applying the Singapore Standard rate of income tax to profit before income tax due to the following factors:-

	Group	
	2014 USD	2013 USD
Profit before income tax	9,968,793	1,590,010
Tax at statutory tax rate of 17%	1,694,695	270,303
Income not subject to tax	-	(708)
Expenses that are not deductible	48,726	494,140
Investment allowance forfeited	-	743,349
Enhanced allowance	-	(532,927)
Pioneer incentive	(1,940,644)	(1,567,314)
(Over)/under provision for previous year	(32,782)	26,860
Deferred tax asset not recognised	197,223	593,157
	(32,782)	26,860

The Company was granted a 5-year Pioneer Incentive – Manufacturing with effect from 1 April 2012 subject to the Company meeting certain terms and conditions set out in the letter of offer dated 4 April 2012. The tax incentive may be extended for another 10 years subject to the Company meeting the additional terms and conditions as stipulated in the said letter of award for the extension.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2014

19. Significant related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company, the holding company and related parties at terms agreed between the parties:

	Group		Company	
	2014 USD	2013 USD	2014 USD	2013 USD
Revenue received/receivable from related parties				
- Sale of goods	7,202,622	1,985,899	7,202,622	1,985,899
- Management fee	-	55,483	-	55,483
- Sale of subsidiary	100,000	-	100,000	-
- Sale of plant and equipment	81,543	-	81,543	-
- Services provided	922,647	-	-	-
Revenue received/receivable from a subsidiary company				
- Sales of plant and equipment	-	-	160,227	12,178
- Management fee	-	-	568,360	934,528
Expenses paid/payable to a subsidiary company				
- Purchase of plant and equipment	-	-	7,137,568	17,314,032
Expenses paid/payable to related parties				
- Purchase of goods	27,139	1,177,868	27,139	1,073,486
- Purchase of plant and equipment	6,000	746,836	6,000	738,704
- Purchase of spare parts and tools	353,744	308,938	353,744	308,938
Expenses paid/payable to a company in which a director is an officer				
- Professional fee	208,576	195,754	166,613	177,568

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2014

19. Significant related party transactions (cont'd)

Related parties comprise companies which are controlled or significantly influenced by the Company's directors and their close family members.

There were also advances to and from related parties and payments on behalf for and by related parties, including set off arrangements with a related party totalling USD987,232 during the year. Outstanding balances as at 31 March 2014 are set out in Notes 9 and 13 to the financial statements.

20. Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating leases (with lease term of more than 1 year) contracted for by the company for factory and land at the end of the reporting period but not recognised as liabilities, are as follows:-

	Group		Company	
	2014 USD	**2013 USD**	**2014 USD**	**2013 USD**
Not later than 1 year	994,251	1,399,905	743,383	1,121,043
Later than 1 year but not later than 5 years	736,687	1,569,097	736,687	1,313,474
Later than 5 years	4,114,509	4,301,179	4,114,509	4,301,178

21. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 April 2013 or later periods and which the Company has not early adopted. The Company has assessed that these standards, amendments and interpretations are not relevant to the Company and the Group.

22. Financial risk management

The Company's and the Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance.

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Company and the Group.

The Board reviews and agrees the risk management policies and systems regularly to reflect changes in market conditions, the Company's and the Group's financial position and the nature of its activities. The significant financial risks to which the Company and the Group is exposed are set out below:-

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2014

22. **Financial risk management (cont'd)**

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company and the Group. The major classes of financial assets of the Company and the Group are bank deposits and trade and other receivables.

(a) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with regulated financial institutions

(b) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

At the end of the reporting period, age analysis of trade receivables past due but not impaired and the concentration of credit risk of trade receivables are as follows:-

	Group		Company	
	2014 USD	2013 USD	2014 USD	2013 USD
Past due < 3 months	106,959	7,477,401	106,959	7,477,401
Past due 3 to 6 months	5,307,884	6,120,501	5,307,884	6,120,501
Past due over 6 months	17,191	5,612,424	13,851	5,612,423
	5,432,034	19,210,326	5,428,694	19,210,325
Top 1 customer	29,217,265	12,306,965	29,217,265	12,306,965
Top 2 customer	211,727	10,695,399	211,727	10,695,399
	29,428,992	23,002,364	29,428,992	23,002,364

(ii) Concentration risk in the Group's business and in concentration in balances with 2 key customers

Due to the highly specialised nature of the Group's operations, sales and purchases of the Group are concentrated with a few key suppliers who are also our customers. The Company purchases raw materials from a key supplier in India for the growth of lab grown diamonds. The grown diamonds are resold to the supplier for cutting and polishing as the Company and the Group do not have the said facilities to do so. The process is repeated until the lab grown diamonds reaches a desired size, where the grown diamonds are sold.

22. Financial risk management (cont'd)

(ii) Concentration risk in the Group's business and in concentration in balances with 2 key customers (cont'd)

During the financial year, the Company has added a new key customer and several other customers in specialised areas. The Company has expanded new lines of business in precision cutting materials, optical applications and semi-conductor applications further diversifying its product and customer portfolio.

The total sales and purchases with the above 2 key customers/suppliers amounted to approximately US$66,173,000 and US$30,362,000 respectively which formed approximately 83.8% of the total revenue and 48.6% of the costs of sales for the year ended 31 March 2014.

As at 31 March 2014, the balances of the 2 key suppliers/customers of the Company and the Group are set out below:

	Total USD	Customer 1 USD	Customer 2 USD
Not past due*	24,582,975	24,471,220	111,755
Past due < 3 months	99,972	-	99,972
Past due 3 to 6 months	4,746,045	4,746,045	-
Past due over 6 months	-	-	-
Balance as at 31 March 2014	29,428,992	29,217,265	211,727

* the credit terms of customer 1 was increased from 30 days to 120 days during the financial year and the credit terms of customer 2 was increased from 90 days to 120 days during the financial year. As at the year end, the Company entered into a letter of set off with customer 2 totalling USD27,497,665 against the payables due to the said customer.

In 2013, the Company purchases raw materials from three suppliers for processing and sells the finished product to the suppliers. The total sales and purchases made during the financial year amounted to USD38,159,341 and USD15,555,900 respectively.

22. Financial risk management (cont'd)

(iii) Capital risk

The Company's and the Group's objectives when managing capital are to safeguard to the Company's and the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company and the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

	Group		Company	
	2014 USD	2013 USD	2014 USD	2013 USD
Net debt				
Borrowings	31,659,022	14,730,645	31,659,022	14,730,645
Trade and other payables	10,988,995	19,577,228	9,222,102	18,607,938
Less: Cash and bank balances	(980,540)	(1,321,490)	(802,540)	(952,445)
	41,667,477	32,986,383	40,078,584	32,386,138
Total equity				
Share capital	71,767,830	71,767,830	71,767,830	71,767,830
Reserves	7,392,454	(2,609,121)	10,302,973	(1,264,386)
	79,160,284	69,158,709	82,070,803	70,503,444
Total capital	120,827,761	102,145,092	122,149,387	102,889,582
Gearing ratio	35%	32%	33%	31%

The Company and the Group are required to observe the financial covenants in respect of its bank borrowings as follows:

- The financial covenants for banking facility I requires the Company and the Group to maintain a debt to equity ratio of not more than 2:1 and a Group net tangible assets of not less than USD45,000,000; and
- The financial covenants for banking facility II require the Company and the Group to maintain a current ratio of not less than 1 and the debt to equity ratio share not be greater than 3:1 with effect from 1 January 2013.

For the year ended 31 March 2014, the Company and the Group has met the conditions set out in the above requirements.

22. Financial risk management (cont'd)

(iv) Liquidity risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Company's and the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Group				
	Carrying amount USD	**Contractual cash flows USD**	**One year or less USD**	**One to five years USD**	**Over five years USD**
2014					
Non-derivative financial liabilities					
Finance lease obligations	7,696,571	8,718,019	1,863,659	6,647,794	206,566
Bank loans	23,962,451	26,053,158	4,297,981	16,705,439	5,049,738
Trade and other payables	10,988,995	10,988,995	10,988,995	-	-
	42,648,017	45,760,172	17,150,635	23,353,233	5,256,304
2013					
Non-derivative financial liabilities					
Finance lease obligations	8,279,708	9,486,487	832,087	7,346,772	1,307,628
Bank loans	6,450,937	7,541,209	475,591	1,993,420	5,072,198
Trade and other payables	19,577,228	19,577,228	19,577,228	-	-
	34,307,873	36,604,924	20,884,906	9,340,192	6,379,826

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NOTES TO THE FINANCIAL STATEMENTS
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22. Financial risk management (cont'd)

(iv) Liquidity risk (cont'd)

	Company				
	Carrying amount USD	Contractual cash flows USD	One year or less USD	One to five years USD	Over five years USD
2014					
Non-derivative financial liabilities					
Finance lease obligations	7,696,571	8,718,019	1,863,659	6,647,794	206,566
Bank loans	23,962,451	26,053,158	4,297,981	16,705,439	5,049,738
Trade and other payables	9,222,107	9,222,107	9,222,107	-	-
	40,881,129	43,993,284	15,383,747	23,353,233	5,256,304
2013					
Non-derivative financial liabilities					
Finance lease obligations	8,279,708	9,486,487	832,087	7,346,772	1,307,628
Bank loan	6,450,937	7,541,209	475,591	1,993,420	5,072,198
Trade and other payables	18,607,938	18,607,938	18,607,938	-	-
	33,338,583	35,635,634	19,915,616	9,340,192	6,379,826

(v) Foreign currency risk

The Company and the Group are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than its functional currency. The currencies giving rise to this risk are primarily Singapore dollar.

The Company and the Group do not have a hedging policy on its foreign currency exposure.

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NOTES TO THE FINANCIAL STATEMENTS
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22. Financial risk management (cont'd)

(v) Foreign currency risk (cont'd)

The Company's and the Group's exposure to foreign currency are as follows:

	2014 USD	2013 USD
Group		
Trade and other receivables	3,114,544	2,164,136
Cash and cash equivalents	500,165	357,385
Finance lease obligations	(7,696,571)	(8,279,708)
Bank loan	(16,824,759)	(6,450,937)
Trade and other payables	(3,760,414)	(7,510,915)
	(24,667,035)	(19,720,039)
Company		
Trade and other receivables	3,028,833	1,186,508
Cash and cash equivalents	372,236	182,315
Finance lease obligations	(7,696,571)	(8,279,708)
Bank loan	(16,824,759)	(6,450,937)
Trade and other payables	(1,421,537)	(7,044,746)
	(22,541,798)	(20,406,568)

A 10% strengthening of US dollar against the following currencies at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity USD	Profit or loss USD
Group		
2014		
SGD	1,946,578	1,946,578
2013		
SGD	1,636,763	1,636,763

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NOTES TO THE FINANCIAL STATEMENTS
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22. Financial risk management (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

	Equity USD	Profit or loss USD
Company		
2014		
SGD	1,778,866	1,778,866
2013		
SGD	1,693,745	1,693,745

A 10% weakening of US dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

23. Capital commitment

As at the end of the year, commitments for capital expenditure not provided for in the financial statement are as follows:

	2014 USD	2013 USD
Expenditure approved and contracted for in respect of construction works and other projects	-	1,361,938
Expenditure approved in respect of construction works and other projects	-	4,991,056

24. Comparative figures

During the financial year, the Group reclassified deposits and advances paid to suppliers, which comprised mainly labour cost, spare parts and components for the assembly and construction of equipment for resale to inventories and work in progress. The reclassification better reflects the underlying substance of the nature of these transactions.

Accordingly, the comparative figures have been restated for compatibility.

The Group has also reclassified Research and Development cost of US$393,884 recorded as cost of sales for the year ended 31 March 2013.

25. Performance guarantee

	2014 USD	2013 USD
Performance guarantee in favour of third parties	785,196	341,743

26. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of IIA Technolges Pte. Ltd. on

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STATUTORY FILING

IIA TECHNOLOGIES PTE. LTD.
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REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

01/04/2014 to 31/03/2015

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REPORTS AND FINANCIAL STATEMENTS
31 MARCH 2015

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IIA TECHNOLOGIES PTE. LTD.
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DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of IIA Technologies Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2015, and the balance sheet of the Company as at 31 March 2015.

Directors

The directors of the Company in office at the date of this report are as follows:

Vishal Jatin Mehta	
Sonia Jatin Mehta	(Non-executive director)
Girija Prasad Pande	
Suraj Jatin Mehta	(Non-executive director)
Misra Devi Shanker	
Tan Teck Nguan Michael	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares and debentures

The interest of the directors who held office at the end of the financial year in the shares and debentures of the Company and related corporation were as follows:

	Holdings registered in name of director or nominee		Holdings in which a director is deemed to have an interest	
	At 31.03.2015	At 01.04.2014	At 31.03.2015	At 01.04.2014
	(No. of Ordinary shares)		(No. of Ordinary shares)	
Company				
IIA Technologies Pte. Ltd.				
Sonia Jatin Mehta	1,000,000	1,000,000	18,266,083	18,266,083
Vishal Jatin Mehta	-	-	35,961,350	35,961,350
Misra Devi Shanker	-	-	2,854,075	2,854,075

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IIA TECHNOLOGIES PTE. LTD.
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DIRECTORS' REPORT

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or its subsidiaries was granted.

(b) Unissued shares under option and options exercised

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares under option.

Independent auditor

The independent auditor, AT ADLER, Public Accountants and Chartered Accountants, has expressed willingness to accept re-appointment.

On behalf of the Board of Directors

Vishal Jatin Mehta
Director

Tan Teck Nguan Michael
Director

Dated: 31 August 2015

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IIA TECHNOLOGIES PTE. LTD.
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STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended in accordance with the provision of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Vishal Jatin Mehta
Director

Tan Teck Nguan Michael
Director

Dated: 31 August 2015

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
IIA TECHNOLOGIES PTE. LTD.
for the financial year ended 31 March 2015
Company Registration No. 200516961K
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ATADLER
Chartered Accountants

Report on the Financial Statements

We have audited the accompanying financial statements of IIA Technologies Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Company and of the Group as at 31 March 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flow of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
IIA TECHNOLOGIES PTE. LTD.
for the financial year ended 31 March 2015
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(Incorporated in Singapore)

ATADLER
Chartered Accountants

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 23(ii) to the financial statements. Due to the specialised nature of the Group's operations, the Group's sales and purchases are concentrated with 2 key customers who are also the suppliers. For the year ended 31 March 2015, the sales with these customers amounted to USD64,026,000 of the Group's total revenue of USD76,060,376. Changes to the business of the key customers or the credit standing of the key customers may result in significant financial impact to the Group and the Company as the operating cash flows of the Group and the Company are dependent on the collections from these customers.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

AT ADLER

AT ADLER
Public Accountants and Chartered Accountants

Singapore, 31 August 2015

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IIA TECHNOLOGIES PTE. LTD.
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BALANCE SHEET
as at 31 March 2015

	Note	The Group 2015 USD	The Group 2014 USD	The Company 2015 USD	The Company 2014 USD
ASSETS					
Non-current assets					
Property, plant and equipment	4	73,204,577	73,923,442	74,824,467	74,291,416
Construction and projects work-in-progress	5	1,224	808,877	1,224	808,877
Intangible assets	6	468,180	352,588	455,175	339,583
Investment in subsidiaries	7	-	-	50,001	50,001
		73,673,981	75,084,907	75,330,867	75,489,877
Current assets					
Inventories	8	29,308,593	14,840,716	19,340,777	11,166,153
Trade and other receivables	9	22,299,632	30,902,138	25,232,235	35,493,357
Cash and bank balances		682,532	980,540	517,708	802,540
		52,290,757	46,723,394	45,090,720	47,462,050
TOTAL ASSETS		125,964,738	121,808,301	120,421,587	122,951,927
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	10	71,767,830	71,767,830	71,767,830	71,767,830
Retained earnings		5,236,560	7,392,454	9,286,268	10,302,973
Total equity		77,004,390	79,160,284	81,054,098	82,070,803
Non-current liabilities					
Finance lease obligations	11	4,231,431	6,169,317	4,231,431	6,169,317
Bank loans	12	21,085,352	20,270,913	21,085,352	20,270,913
		25,316,783	26,440,230	25,316,783	26,440,230
Current liabilities					
Trade and other payables	13	13,706,932	10,988,995	4,114,073	9,222,102
Finance lease obligations	11	1,435,885	1,527,254	1,435,885	1,527,254
Bank loans	12	8,500,748	3,691,538	8,500,748	3,691,538
		23,643,565	16,207,787	14,050,706	14,440,894
Total liabilities		48,960,348	42,648,017	39,367,489	40,881,124
TOTAL EQUITY AND LIABILITIES		125,964,738	121,808,301	120,421,587	122,951,927

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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IIA TECHNOLOGIES PTE. LTD.
AND ITS SUBSIDIARIES
Company Registration No. 200516961K
(Incorporated in Singapore)

STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 31 March 2015

	Note	The Group 2015 USD	The Group 2014 USD
Continuing operations			
Revenue	14	76,060,376	78,939,539
Cost of sales		(59,384,883)	(62,486,900)
Gross profit		16,675,493	16,452,639
Other income	15	1,904,519	328,900
		18,580,012	16,781,539
Administrative expenses		(4,481,613)	(3,384,885)
Distribution and selling expenses		(585,178)	(405,554)
Financial expenses	16	(1,420,142)	(856,183)
Other expenses		(1,248,973)	(2,166,124)
Profit before income tax	17	10,844,106	9,968,793
Income tax credit	18	-	32,782
Total profit after income tax		10,844,106	10,001,575
Other comprehensive income		-	-
Total comprehensive income		10,844,106	10,001,575

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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IIA TECHNOLOGIES PTE. LTD.
AND ITS SUBSIDIARIES
Company Registration No. 200516961K
(Incorporated in Singapore)

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 March 2015

	Share capital USD	Retained earnings/ (Accumulated losses) USD	Total equity USD
The Group			
2015			
Beginning of financial year	71,767,830	7,392,454	79,160,284
Total comprehensive income for the year	-	10,844,106	10,844,106
Dividend paid (Note 20)	-	(13,000,000)	(13,000,000)
End of financial year	71,767,830	5,236,560	77,004,390
2014			
Beginning of financial year	71,767,830	(2,609,121)	69,158,709
Total comprehensive income for the year	-	10,001,575	10,001,575
End of financial year	71,767,830	7,392,454	79,160,284

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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IIA TECHNOLOGIES PTE. LTD.
AND ITS SUBSIDIARIES
Company Registration No. 200516961K
(Incorporated in Singapore)

STATEMENT OF CASH FLOW
for the financial year ended 31 March 2015

	The Group	
	2015 USD	2014 USD
Cash flows from operating activities		
Profit before income tax	10,844,106	9,968,793
Adjustments for:		
- Depreciation of property, plant and equipment	8,627,841	7,882,239
- Amortisation of intangible assets	25,892	14,855
- Intangible assets written off	(4,214)	-
- (Gain)/loss on disposal of property, plant and equipment	(279,169)	210,065
- Gain on disposal of subsidiary	-	(57,202)
- Construction-in-progress expensed off	1,054,184	-
- Fixed asset written off	93,253	-
- Gain of foreign exchange	(1,151,458)	-
- Interest expenses	1,420,142	856,183
- Interest income	-	(81)
Operating cash flow before working capital changes	20,630,577	18,874,852
Changes in working capital:		
- Inventories	(14,467,877)	(6,671,321)
- Trade and other receivables	9,162,685	(3,217,867)
- Trade and other payables	7,597,129	(7,364,696)
Cash generated from operations	22,922,514	1,620,968
Income tax paid	-	(7,078)
Net cash flows generated from operating activities	22,922,514	1,613,890
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,279,400)	(15,944,856)
Proceeds from disposal of property, plant and equipment	642,170	538,447
Net cash inflow on disposal of subsidiary (Note A)	-	1,200
Payment of construction and project work-in-progress	(733,182)	(863,934)
Acquisition of intangible assets	(137,270)	(224,883)
Interest received	-	81
Net cash flows used in investing activities	(8,507,682)	(16,493,945)
Cash flows from financing activities		
Amount due from holding company	(4,112,464)	(114,043)
Amount due to directors	-	11,001
Amount due from related parties	(897,186)	(999,913)
Dividend paid	(13,000,000)	-
Interest paid	(1,420,142)	(856,183)
Proceeds from bank loans (net)	6,775,107	17,511,514
Repayment of finance lease obligations	(2,058,155)	(1,013,271)
Net cash flows (used in)/generated from financing activities	(14,712,840)	14,539,105
Net decrease in cash and bank balances	(298,008)	(340,950)
Cash and bank balances at beginning of financial year	980,540	1,321,490
Cash and bank balances at end of financial year	682,532	980,540

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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IIA TECHNOLOGIES PTE. LTD.
AND ITS SUBSIDIARIES
Company Registration No. 200516961K
(Incorporated in Singapore)

STATEMENT OF CASH FLOW
for the financial year ended 31 March 2014

Note A – Cash inflow on disposal of subsidiary

The net assets of subsidiary disposed are:

	The Group 2014 USD
Property, plant and equipment	26,307
Cash and cash equivalents	98,800
Trade and other receivables	231,158
Trade and other payables	(313,467)
Net assets	42,798
Gain on disposal of subsidiary	57,202
Consideration	100,000
Less: Cash and cash equivalents in subsidiary disposed	(98,800)
Net cash inflow on disposal	1,200

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

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IIA TECHNOLOGIES PTE. LTD.
AND ITS SUBSIDIARIES
Company Registration No. 200516961K
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

IIA Technologies Pte. Ltd. (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is at 65 Chulia Street #38-02/3 OCBC Centre, Singapore 049513 and the principal place of business is at 17 Tukang Innovation Drive, Singapore 618300.

The principal activities of the Company are growing of diamonds. The principal activities of its subsidiaries are set up in Note 7 to the financial statements. There have been no significant changes in such activities during the financial year.

The Company is a subsidiary of Spring Field Group Limited (formerly known as JRD International Limited), a company incorporated in the Bahamas Island, which is also its ultimate holding company.

The consolidated financial statements relate to the Company and its subsidiaries.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Company and the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The consolidated financial statements have been prepared under the historical cost convention, except as otherwise disclosed in the accounting policies stated below.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.2 Adoption of new and revised standards

In the current financial year, the Company has adopted all the new or revised FRS and Interpretations to FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on 1 April 2014. Changes to the Company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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2. Significant accounting policies (cont'd)

2.3 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 Business Combination as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any NCI in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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2. Significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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2. Significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

(vi) Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

2.4 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company and the Group are measured using the currency of the primary economic environment in which the Company and the Group operates ("functional currency"). The financial statements are presented in United States Dollar, which is the functional currency of the Company and the Group.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transaction. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services are recognised upon completion of services.

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2. Significant accounting policies (cont'd)

2.6 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to the initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

2.7 Inventories

Inventories are valued at lower of cost and net realisable value. Cost is being determined on the specific identification basis and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the cost of realisation. Provision is made, where necessary, for all obsolete and slow moving items.

2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the items.

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2. Significant accounting policies (cont'd)

2.8 Property, plant and equipment (cont'd)

Depreciation is calculated on the straight-line method to allocate the depreciable amount over their estimated useful lives as follows:-

	Useful lives
Leasehold building	30 years
Computers & office equipment	3 – 5 years
Furniture & fittings	3 years
Motor vehicle	6 years
Plant and machinery	3 – 10 years
Renovation	3 – 10 years

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at the end of each reporting period. On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the statement of comprehensive income. Fully depreciated items are retained in the financial statements until they are no longer in use and no further charge for the depreciation is made in respect of these items.

2.9 Construction and projects work-in-progress

Construction and projects work-in-progress relates to the construction of the factory building and plant and equipment for the Company and the Group and are stated at cost, less impairment. Construction and projects work-in-progress for capital expenditure are transferred to property, plant and equipment upon completion.

2.10 Related party

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions, it also includes members of the key management personnel or close members of family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

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2. Significant accounting policies (cont'd)

2.11 Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2.12 Financial Instruments

(a) Non-derivative financial assets

The Company and the Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company and the Group becomes a party to the contractual provisions of the instrument.

The Company and the Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company and the Group is recognised as a separate asset or liability.

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2. Significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(a) Non-derivative financial assets (cont'd)

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company and the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company and the Group classifies its non-derivative financial assets into the following category: loan and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and bank balances, and trade and other receivables.

(b) Non-derivative financial liabilities

The Company and the Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company and the Group becomes a party to the contractual provisions of the instrument.

The Company and the Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when the Company and the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company and the Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables, bank loans and finance lease obligations.

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2. Significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(c) Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.13 Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company and the Group on terms that the Company and the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company and the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables
The Company and the Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company and the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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2. Significant accounting policies (cont'd)

2.14 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

When the Company and the Group is the lessee:

The Company and the Group leases certain property, plant and equipment under finance leases from third parties.

Finance leases

Leases where the Company and the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in the profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are taken to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.16 Employee compensation

The Company's and the Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

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2. Significant accounting policies (cont'd)

2.16 Employee compensation (cont'd)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company and the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company and the Group has no further payment obligations once the contributions have been paid. The Company's and the Group's contributions are recognised as employee compensation expense when they are due.

2.17 Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the years, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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2. Significant accounting policies (cont'd)

2.17 Income taxes (cont'd)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.18 Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investment in subsidiary are stated at cost less any impairment loss in the Company's balance sheet. On disposal of a subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is taken to the statement of comprehensive income.

2.19 Borrowing costs

Borrowing costs are recognised in the profit or loss using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale of property, plant and equipment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: -

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3. Critical accounting estimates, assumptions and judgements (cont'd)

(a) Useful lives of property, plant and equipment and depreciation

The cost of property, plant and equipment is depreciated on a straight-line basis over the estimated economic useful lives of property, plant and equipment. Management reviews the estimated useful lives of these property, plant and equipment as disclosed in note 2.8 above based on the common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Company's and the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 4 to the financial statements.

(b) Impairment of plant and equipment

The Company assesses annually whether property, plant and equipment has any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on the higher of the fair value less cost to sell and value-in-use which requires the use of judgement and estimates. The carrying amounts of the Company's and the Group's property, plant and equipment at the end of the reporting period are disclosed in Note 4 to the financial statements.

(c) Intangible assets and amortisation

Intangible assets of the Company and the Group comprised mainly cost of patents and trademark registrations. Management reviews the economic useful lives regularly and such intangible assets are amortised over the estimated useful lives of 10 years. Assessments for impairment are carried out whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. The carrying amounts of the Company's and the Group's intangible assets at the end of the reporting period are disclosed in Note 6 to the financial statements.

(d) Impairment of loans and receivables

The Company and the Group assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company and the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. Based on the directors assessment, no impairment is required. The carrying amounts of the Company's and the Group's receivables at the end of the reporting period are disclosed in Note 9 to the financial statements.

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3. Critical accounting estimates, assumptions and judgements (cont'd)

(e) Allowance for obsolete inventories

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for the products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of the Group's inventories were disclosed in Note 8 to the financial statements.

(f) Tax incentive scheme

The Company was granted the Pioneer Incentive – Manufacturing ("Tax Incentive") for an initial period of 5 years by the Economic Development Board, Singapore ("EDB") commencing 1 April 2012, subject to certain terms and conditions as stipulated in the letter of award. The tax incentive may be extended for another 10 years subject to the Company meeting the additional terms and conditions as stipulated in the said letter of award for the extension. As at 31 March 2015, based on the directors' judgement, these conditions are likely to be met.

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4 Property, plant and equipment

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
GROUP							
2015							
Cost							
Beginning of financial year	14,029,280	2,688,649	197,486	896,871	55,116,393	23,802,646	96,731,325
Additions	-	114,602	84,730	21,872	6,373,006	1,714,090	8,308,300
Transfer from construction and project work-in-progress	-	56,930	-	-	-	-	56,930
Disposal	-	(10,133)	-	(30,947)	(414,065)	(83,411)	(538,556)
Written off	-	-	-	-	-	(556,045)	(556,045)
End of financial year	14,029,280	2,850,048	282,216	887,796	61,075,334	24,877,280	104,001,954
Accumulated depreciation							
Beginning of financial year	660,200	757,653	110,478	331,229	18,982,710	1,965,613	22,807,883
Depreciation charged	495,151	603,668	76,934	137,803	6,200,533	1,113,752	8,627,841
Disposal	-	(8,377)	-	(14,614)	(69,153)	(83,411)	(175,555)
Written off	-	-	-	-	-	(462,792)	(462,792)
End of financial year	1,155,351	1,352,944	187,412	454,418	25,114,090	2,533,162	30,797,377
Net book value							
End of financial year	12,873,929	1,497,104	94,804	433,378	35,961,244	22,344,118	73,204,577

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4. **Property, plant and equipment (cont'd)**

The carrying amounts of property, plant and equipment acquired under finance lease obligations for the Company and the Group were USD9,233,480 and USD9,233,480 (2014: USD10,544,353 and USD10,544,353) respectively.

During the financial year, the Company and the Group acquired property, plant and equipment costing USD8,785,174 and USD8,308,300 respectively (2014: USD16,200,080 and USD16,374,990 respectively) of which USD28,900 and USD28,900 respectively (2014: USD430,134 and USD430,134 respectively) was acquired by finance lease obligations. Acquisition of property, plant and equipment other than acquired by finance lease obligations costing USD8,756,274 and USD8,279,400 respectively (2014: USD15,769,946 and USD15,944,856 respectively) were funded mainly by bank loans.

As at 31 March 2015, leasehold building and plant and equipment excluding the finance lease obligations disclosed above were pledged to secure bank loans granted to the Company and the Group as disclosed in Note 12 to the financial statements.

The estimated fair values of the leasehold building are approximately S$26,000,000 (equivalent to USD20,906,600) based on independent valuation dated 6 June 2012.

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4. Property, plant and equipment

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
GROUP							
2014							
Cost							
Beginning of financial year	14,029,280	1,562,320	149,540	642,015	45,129,284	21,511,263	83,023,702
Additions	-	209,882	54,412	430,134	10,226,708	5,453,854	16,374,990
Transfer from construction and project work-in-progress	-	979,551	-	-	513,634	-	1,493,185
Disposal of subsidiary	-	(6,769)	(728)	(1,575)	(17,235)	-	(26,307)
Disposal	-	(56,335)	(5,738)	(173,703)	(735,998)	(3,162,471)	(4,134,245)
End of financial year	14,029,280	2,688,649	197,486	896,871	55,116,393	23,802,646	96,731,325
Accumulated depreciation							
Beginning of financial year	165,050	374,893	64,456	284,588	14,155,346	3,267,665	18,311,998
Depreciation charged	495,150	398,999	49,114	136,116	5,395,153	1,407,707	7,882,239
Disposal	-	(16,239)	(3,092)	(89,475)	(567,789)	(2,709,759)	(3,386,354)
End of financial year	660,200	757,653	110,478	331,229	18,982,710	1,965,613	22,807,883
Net book value							
End of financial year	13,369,080	1,930,996	87,008	565,642	36,133,683	21,837,033	73,923,442

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Property, plant and equipment (cont'd)

The carrying amounts of property, plant and equipment acquired under finance lease obligations for the Company and the Group were USD10,544,353 and USD10,544,353 (2013: USD11,564,178 and USD11,564,178) respectively.

During the financial year, the Company and the Group acquired property, plant and equipment costing USD16,200,080 and USD16,374,990 respectively (2013: USD21,858,802 and USD21,651,176 respectively) of which USD430,134 and USD430,134 respectively (2013: USD11,913,988 and USD11,913,988 respectively) was acquired by finance lease obligations. Acquisition of property, plant and equipment other than acquired by finance lease obligations costing USD15,769,946 and USD15,944,856 respectively (2013: USD9,862,357 and USD9,654,731 respectively) were funded mainly by bank loans.

As at 31 March 2014, leasehold building and plant and equipment excluding the finance lease obligations disclosed above were pledged to secure bank loans granted to the Company and the Group as disclosed in Note 12 to the financial statements.

The estimated fair values of the leasehold building are approximately S$26,000,000 (equivalent to USD20,906,600) based on independent valuation dated 6 June 2012.

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14. Property, plant and equipment (cont'd)

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
COMPANY							
2015							
Cost							
Beginning of financial year	14,029,280	2,688,649	181,573	896,871	55,865,166	23,246,601	96,908,140
Additions	-	114,602	78,540	21,872	6,856,070	1,714,090	8,785,174
Transfer from construction and project work-in-progress	-	56,930	-	-	-	-	56,930
Disposal	-	(10,133)	-	(30,947)	(12,843)	(83,411)	(137,334)
End of financial year	14,029,280	2,850,048	260,113	887,796	62,708,393	24,877,280	105,612,910
Accumulated depreciation							
Beginning of financial year	660,200	757,653	103,700	331,229	18,991,962	1,771,980	22,616,724
Depreciation charged	495,151	603,668	69,912	137,803	6,133,041	844,593	8,284,168
Disposal	-	(8,377)	-	(14,614)	(6,047)	(83,411)	(112,449)
End of financial year	1,155,351	1,352,944	173,612	454,418	25,118,956	2,533,162	30,788,443
Net book value							
End of financial year	12,873,929	1,497,104	86,501	433,378	37,589,437	22,344,118	74,824,467

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4. Property, plant and equipment (cont'd)

	Leasehold building USD	Computers & office equipment USD	Furniture & fittings USD	Motor vehicles USD	Plant & machinery USD	Renovation USD	Total USD
COMPANY							
2014							
Cost							
Beginning of financial year	14,029,280	1,555,551	141,346	640,440	45,739,586	21,242,917	83,349,120
Additions	-	209,882	45,965	430,134	10,347,944	5,166,155	16,200,080
Transfers from construction and project work-in-progress	-	979,551	-	-	513,634	-	1,493,185
Disposal	-	(56,335)	(5,738)	(173,703)	(735,998)	(3,162,471)	(4,134,245)
End of financial year	14,029,280	2,688,649	181,573	896,871	55,865,166	23,246,601	96,908,140
Accumulated depreciation							
Beginning of financial year	165,050	374,893	63,004	284,588	14,170,450	3,230,395	18,288,380
Depreciation charged	495,150	398,999	43,788	136,116	5,389,301	1,251,344	7,714,698
Disposal	-	(16,239)	(3,092)	(89,475)	(567,789)	(2,709,759)	(3,386,354)
End of financial year	660,200	757,653	103,700	331,229	18,991,962	1,771,980	22,616,724
Net book value							
End of financial year	13,369,080	1,930,996	77,873	565,642	36,873,204	21,474,621	74,291,416

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5. Construction and projects work-in-progress

	Building USD	Electrical installation USD	Software USD	Renovation USD	Total USD
Group and Company					
2015					
Cost					
Beginning of financial year	-	-	808,877	-	808,877
Additions	-	-	733,182	-	733,182
Transfer to property, plant and equipment	-	-	(56,930)	-	(56,930)
Recharged to related party	-	-	(429,721)	-	(429,721)
Transfer to IT expenses	-	-	(1,054,184)	-	(1,054,184)
End of financial year	-	-	1,224	-	1,224
2014					
Cost					
Beginning of financial year	-	-	1,438,128	-	1,438,128
Additions	-	-	863,934	-	863,934
Transfer to property, plant and equipment	-	-	(1,493,185)	-	(1,493,185)
End of financial year	-	-	808,877	-	808,877

Construction and projects work-in-progress relate to property, plant and equipment to be constructed or developed for the Company and the Group and are stated at cost. Transfers are made to property, plant and equipment upon completion.

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6. Intangible assets

	Goodwill on consolidation USD	Patents and trademarks USD	Total USD
Group			
2015			
Cost			
Beginning of financial year	13,005	363,882	376,887
Additions	-	164,556	164,556
Written off	-	(27,286)	(27,286)
End of financial year	13,005	501,152	514,157
Accumulated amortisation			
Beginning of financial year	-	24,299	24,299
Amortisation charged	-	25,892	25,892
Written off	-	(4,214)	(4,214)
End of financial year	-	45,977	45,977
Net book value			
End of financial year	13,005	455,175	468,180
2014			
Cost			
Beginning of financial year	13,005	138,999	152,004
Additions	-	224,883	224,883
End of financial year	13,005	363,882	376,887
Accumulated amortisation			
Beginning of financial year	-	9,444	9,444
Amortisation charged	-	14,855	14,855
End of financial year	-	24,299	24,299
Net book value			
End of financial year	13,005	339,583	352,588

Goodwill on consolidation arose from the acquisition of the subsidiary, Helios International Pte. Ltd.

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6. **Intangible assets (cont'd)**

	Patents and trademarks USD
<u>Company</u>	
2015	
Cost	
Beginning of financial year	363,882
Additions	164,556
Reversal	(27,286)
End of financial year	501,152
Accumulated amortisation	
Beginning of financial year	24,299
Amortisation charged	25,892
Reversal	(4,214)
End of financial year	45,977
Net book value	
End of financial year	455,175
2014	
Cost	
Beginning of financial year	138,999
Additions	224,883
End of financial year	363,882
Accumulated amortisation	
Beginning of financial year	9,444
Amortisation charged	14,855
End of financial year	24,299
Net book value	
End of financial year	339,583

7. **Investment in subsidiaries**

	2015 USD	2014 USD
<u>The Company</u>		
Unquoted equity shares, at cost	50,001	50,001

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7. Investment in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Percentage of effective equity held by the Group 2015 %	2014 %
Sungate Oriental Limited**	Investment holding company	British Virgin Islands	100	100
Held through Sungate Oriental Limited				
Helios International Pte Ltd*	Business of assembly, construction and sale of chemical vapour deposition machine	Singapore	100	100

* Audited by AT ADLER, Public Accountants and Chartered Accountants, Singapore

** Not required to be audited in the country of incorporation

8. Inventories

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Raw materials	19,149,081	8,096,236	14,751,700	8,075,180
Components and parts	966,850	979,166	37,439	145,293
Work-in-progress	2,415,106	863,772	1,503,474	863,772
Finished goods	6,125,909	2,045,749	3,039,374	2,045,749
Production supplies	8,790	36,159	8,790	36,159
	28,665,736	12,021,082	19,340,777	11,166,153
Deposits and advances made to suppliers*	642,857	2,819,634	-	-
	29,308,593	14,840,716	19,340,777	11,166,153

* Deposits and advances paid to suppliers comprised mainly labour charges, costs of spare parts and components send to subcontractors for assembling and construction of equipment for resale.

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9. Trade and other receivables

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Trade receivable				
- Third parties	17,902,126	29,602,383	17,414,949	29,599,405
- Fellow subsidiary	507,746	-	507,746	-
- Related parties	2,948,168	561,838	-	561,838
- Provision for doubtful debt	(1,070)	-	(1,070)	-
	21,356,970	30,164,221	17,921,625	30,161,243
Other receivables	3,534	2,002	3,534	2,002
Amounts due from immediate holding company (non-trade)	222,320	-	222,320	-
Amounts due from subsidiary (non-trade)	-	-	6,473,641	4,668,566
Amounts due from related parties (non-trade)	133,917	225,779	133,917	225,779
Amounts due (to)from a director	-	(967)	-	(967)
Prepayments	144,129	152,209	140,506	149,422
Deposits	235,578	349,192	139,547	284,002
GST receivable	203,184	9,702	197,145	3,310
	22,299,632	30,902,138	25,232,235	35,493,357

Amounts due from immediate holding company, related parties, a director and a fellow subsidiary are unsecured, non-interest bearing and repayable on demand.

10. Share capital

	Group and Company	
	Number of ordinary shares	Amount USD
2015		
Beginning and end of financial year	58,081,508	71,767,830
2014		
Beginning and end of financial year	58,081,508	71,767,830

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10. Share capital (cont'd)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

11. Finance lease obligations

	Minimum payments		Present value of minimum payments	
	2015	**2014**	**2015**	**2014**
	USD	**USD**	**USD**	**USD**
Group and Company				
Finance lease payments payable				
Within one year	1,697,093	1,863,660	1,435,885	1,527,254
Within two to five years	4,485,266	6,647,794	4,096,960	5,977,057
After five years	142,457	206,566	134,471	192,260
	6,324,816	8,718,020	5,667,316	7,696,571
Interest allocated to future periods	(657,500)	(1,021,449)	-	-
	5,667,316	7,696,571	5,667,316	7,696,571

The average effective interest rate is 6.06% (2014: 5.812%) per annum.

12. Bank loans

	Group and Company	
	2015	**2014**
	USD	**USD**
Current	8,500,748	3,691,538
Non-current		
- Within 2 to 5 years	17,322,373	15,629,272
- After 5 years	3,762,979	4,641,641
	21,085,352	20,270,913
	29,586,100	23,962,451

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12. Bank loans (cont'd)

Banking facilities with a financial institution ("Banking Facility I") are secured on a first legal mortgage on the Company's leasehold building as disclosed in Note 4. Part of the bank loans of approximately USD7,195,726 (2014: USD10,173,017) are repayable in 60 monthly instalments at an effective average interest rate of 2.27% (2014: 2.22) and the remaining bank loan of approximately USD5,649,483 (2014: USD6,651,742) repayable over 168 monthly instalments at an effective interest rate of 1.98% (2014: 1.91%).

During the financial year, the Company received loan disbursement ("Banking Facilities II") from another financial institution. The loan is secured on certain plant and equipment, a promissory note of USD22,000,000 subscribed by IIA Technologies Pte Ltd and a negative pledge over all the assets of the Company and the Group. The facility is repayable in 6 equal instalments from Feb 2015 to August 2017 at float rate of libor plus margin. The interest rate used in financial year 2015 was 3.98% (2014: 3.98%).

13. Trade and other payables

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Trade payables				
- Third parties	11,836,275	3,068,243	2,603,694	2,367,850
- Fellow subsidiaries	241,214	-	-	-
- Related parties	-	94,930	-	94,930
	12,077,489	3,163,173	2,603,694	2,462,780
Derivative loss	159,575	-	159,575	-
Other payables	838,090	2,213,791	785,153	2,213,791
Amounts due to related parties (non-trade)	107,557	1,096,605	-	13,643
Amounts due to holding company (non-trade)	-	3,890,144	-	3,890,144
Amount due to subsidiary company (non-trade)	-	-	50,000	50,000
Accruals	524,221	625,282	515,651	591,744
	13,706,932	10,988,995	4,114,073	9,222,102

Amounts due from related parties, holding company, subsidiary and a director are unsecured, non-interest bearing and repayable on demand.

14. Revenue

This represents invoiced value of sales and services rendered during the financial year, less discounts, returns and Goods and Services Tax.

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IIA TECHNOLOGIES PTE. LTD.
AND ITS SUBSIDIARIES
Company Registration No. 200516961K
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2015

15. Other income

	Group	
	2015 USD	**2014 USD**
Gain on foreign exchange	1,436,386	-
Interest income	9,053	81
Grants	103,292	-
Productivity Innovation Credit	45,855	173,210
Gain on disposal of property, plant and equipment	297,272	-
Gain on disposal of subsidiary	-	147,632
Other income	12,661	7,977
	1,904,519	328,900

16. Financial expenses

	Group	
	2015 USD	**2014 USD**
Bank charges	22,096	55,962
Interest on finance lease obligations	358,356	430,799
Interest on late payments	-	486
Interest on bank loan	1,039,690	368,936
	1,420,142	856,183

17. Profit before income tax

The following items have been included in arriving at profit before income tax:-

	Group	
	2015 USD	**2014 USD**
Depreciation of property, plant and equipment	8,627,841	7,882,239
Amortisation of intangible assets	25,892	14,855
Directors' remuneration and fees	726,586	643,179
Inventories recognised as cost in cost of sales	37,738,797	41,556,991
Loss/(gain) on foreign exchange	(1,436,386)	(351,817)
Rental of premises and equipment	437,212	931,766
Staff cost		
- salaries, bonuses and benefits	5,777,517	5,263,572
- Central Provident Fund	530,064	468,896

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18. Income tax (credit)/expense

	Group	
	2015 USD	**2014 USD**
Tax expense attributable to profit is made up of:-		
Current tax		
(Over)/under provision for previous year	-	(32,782)

The tax expense on the results for the financial year differs from the amount of income tax determined by applying the Singapore Standard rate of income tax to profit before income tax due to the following factors:-

	Group	
	2015 USD	**2014 USD**
Profit before income tax	10,844,106	9,968,793
Tax at statutory tax rate of 17%	1,843,498	1,694,695
Income not subject to tax	(214,858)	-
Expenses that are not deductible	249,233	48,726
Pioneer incentive	(1,996,357)	(1,940,644)
(Over)/under provision for previous year	-	(32,782)
Deferred tax asset not recognised	118,484	197,223
	-	(32,782)

The Company was granted a 5-year Pioneer Incentive – Manufacturing with effect from 1 April 2012 subject to the Company meeting certain terms and conditions set out in the letter of offer dated 4 April 2012. The tax incentive may be extended for another 10 years subject to the Company meeting the additional terms and conditions as stipulated in the said letter of award for the extension.

Unrecognised deferred income tax assets

Unutilised capital allowances of approximately US$18,345,000 (2014: US$13,099,000) have not been recognised and subject to no substantial change to shareholding, trade and agreement by Inland Revenue Authority of Singapore.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2015

19. Significant related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company, the holding company and related parties at terms agreed between the parties:

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Revenue received/receivable from related parties and fellow subsidiary				
- Sale of goods	7,874,745	7,202,622	133,917	7,202,622
- Reimbursement of expenses paid on behalf	507,746	-	507,746	-
- Sale of subsidiary	-	100,000	-	100,000
- Sale of plant and equipment	437,590	81,543	-	81,543
- Services provided	-	922,647	-	-
Revenue received/receivable from a subsidiary company				
- Sales of plant and equipment	-	-	-	160,227
- Sale of goods	-	-	4,444	-
- Management fee	-	-	720,160	568,360
Expenses paid/payable to a subsidiary company				
- Purchase of plant and equipment	-	-	4,271,056	7,137,568
- Purchase of spare parts	-	-	2,016,553	-
- Purchase of goods	-	-	83,640	-
Expenses paid/payable to related parties				
- Purchase of goods	3,684,568	27,139	371,274	27,139
- Purchase of plant and equipment	-	6,000	-	6,000
- Purchase of spare parts and tools	-	353,744	-	353,744

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19. Significant related party transactions (cont'd)

	Group 2015 USD	Group 2014 USD	Company 2015 USD	Company 2014 USD
Expenses paid/payable to a company in which a director is an officer				
- Professional fee	320,367	208,576	255,248	166,613

Related parties comprise companies which are controlled or significantly influenced by the Company's directors and their close family members.

There were also advances to and from related parties and payments on behalf for and by related parties, including set off arrangements with a related party totalling USD3,827,017 (2014: USD987,232) during the year. Outstanding balances as at 31 March 2015 are set out in Notes 9 and 13 to the financial statements.

20. Dividends

	2015 USD	2014 USD
Ordinary dividends paid and declared		
Interim tax exempt (one-tier) dividend declared in respect of the financial year ended 31 March 2015 of USD0.2238 (2014: USD Nil) per share	13,000,000	-

21. Operating lease commitment

The future aggregate minimum lease payments under non-cancellable operating leases (with lease term of more than 1 year) contracted for by the company for factory and land at the end of the reporting period but not recognised as liabilities, are as follows:-

	Group 2015 USD	Group 2014 USD	Company 2015 USD	Company 2014 USD
Not later than 1 year	175,401	994,251	175,401	743,383
Later than 1 year but not later than 5 years	701,606	736,687	701,605	736,687
Later than 5 years	3,690,737	4,114,509	3,690,737	4,114,509

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22. New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning after 1 April 2014 or later periods and which the Company has not early adopted. The Company has assessed that these standards, amendments and interpretations are not relevant to the Company and the Group.

23. Financial risk management

The Company's and the Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance.

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Company and the Group.

The Board reviews and agrees the risk management policies and systems regularly to reflect changes in market conditions, the Company's and the Group's financial position and the nature of its activities. The significant financial risks to which the Company and the Group is exposed are set out below:-

(i) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company and the Group. The major classes of financial assets of the Company and the Group are bank deposits and trade and other receivables.

(a) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with regulated financial institutions

(b) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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IIA TECHNOLOGIES PTE. LTD.
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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2015

23. Financial risk management (cont'd)

(i) Credit risk (cont'd)

(b) Financial assets that are past due and/or impaired (cont'd)

The age analysis of trade receivables past due and/or impaired are as follows:

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Past due < 3 months	17,088,553	106,959	15,119,038	106,959
Past due 3 to 6 months	239,914	5,307,884	-	5,307,884
Past due over 6 months	2,998,517	17,191	2,802,587	13,851
	20,326,984	5,432,034	17,921,625	5,428,694

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group and Company	
	2015 USD	2014 USD
Past due over 6 months	1,070	-
Allowance for impairment	(1,070)	-
	-	-

Movement of allowance for impairment is as follows:

	2015 USD	2014 USD
Beginning of financial year	-	-
Allowance made	1,070	-
End of financial year	1,070	-

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23. Financial risk management (cont'd)

(ii) Concentration risk in the Group's business and in concentration in balances with 3 key customers

The Company has continued to develop businesses in precision cutting materials, optical and semi-conductor applications, and the Gems and Jewellery sector.

Due to the highly specialised nature of the Group's operations, sales and purchases of the Group are concentrated with a few key suppliers who are also the customers.

The Company purchases raw materials from 2 key suppliers for the growth of grown diamonds. The grown diamonds are resold to the suppliers for cutting and polishing repeatedly until the lab grown diamonds are sold to the customers who are also the suppliers.

The total sales with Customers 1 and Customer 2 for the Company are amounted to approximately US$64,026,000 for the year ended 31 March 2015. The total purchases from Customer 1 and Customer 2 are amounted to approximately US$33,795,000 for the year ended 31 March 2015. These formed approximately 84.2% of the Group's total revenue and 56.9% of the Group's costs of sales for the year ended 31 March 2015.

During the financial year, the subsidiary has expanded new line of business in High Pressure High Temperature process. The total sales made to a related company (Customer 3), which a director is an officer amounted to approximately US4,995,000 which formed approximately 6.57% of the Group's total revenue for the year ended 31 March 2015.

As at 31 March 2015, the balances of the 3 key customers of the Group are set out below:

		Group		
	Total USD	Customer 1 USD	Customer 2 USD	Customer 3 USD
Not past due*	-	-	-	460,012
Past due < 3 months	-	-	-	708,264
Past due 3 to 6 months	14,367,702	-	14,367,702	-
Past due over 6 months	2,802,211	2,802,211	-	-
Balance as at 31 March 2015	17,169,913	2,802,211	14,367,702	1,168,276

* the credit terms of customer 1 and 2 is 120 days. As at the year end, the Company entered into a letter of set off with customer 1 and 2 totalling USD17,296,436 and USD23,690,660 respectively against the payables due to the Customer 1 and Customer 2.

The credit term for customer 3 was 30 days. As at the year end, the subsidiary entered into a letter of set off with customer 3 totalling USD3,827,017 against the payable due to the said customers.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2015

23. Financial risk management (cont'd)

(ii) Concentration risk in the Group's business and in concentration in balances with 3 key customers (cont'd)

In 2014, the Company purchases raw materials from key suppliers/customers for processing and sells the finished product to the suppliers. The total sales and purchases made during the financial year amounted to USD66,173,000 and USD30,362,000 respectively which formed approximately 83.8% of the total revenue and 48.6% of the costs of sales for the year ended 31 March 2014.

As at 31 March 2014, the balances of the 2 key suppliers/customers of the Company and the Group are set out below:

		Group and Company	
	Total USD	Customer 1 USD	Customer 2 USD
Not past due*	24,582,975	24,471,220	111,755
Past due < 3 months	99,972	-	99,972
Past due 3 to 6 months	4,746,045	4,746,045	-
Past due over 6 months	-	-	-
Balance as at 31 March 2014	29,428,992	29,217,265	211,727

* the credit terms of customer 1 was increased from 30 days to 120 days during the financial year and the credit terms of customer 2 was increased from 90 days to 120 days during the financial year. As at the year end, the Company entered into a letter of set off with customer 2 totalling USD27,497,665 against the payables due to the said customer.

(iii) Capital risk

The Company's and the Group's objectives when managing capital are to safeguard to the Company's and the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company and the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

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NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2015

23. **Financial risk management (cont'd)**

(iii) Capital risk (cont'd)

	Group		Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Net debt				
Borrowings	35,253,416	31,659,022	35,253,416	31,659,022
Trade and other payables	13,706,932	10,988,995	4,114,073	9,222,102
Less: Cash and bank balances	(682,532)	(980,540)	(517,708)	(802,540)
	48,277,816	41,667,477	38,849,781	40,078,584
Total equity				
Share capital	71,767,830	71,767,830	71,767,830	71,767,830
Reserves	5,236,560	7,392,454	9,286,268	10,302,973
	77,004,390	79,160,284	81,054,098	82,070,803
Total capital	125,282,206	120,827,761	119,903,879	122,149,387
Gearing ratio	39%	35%	32%	33%

The Company and the Group are required to observe the financial covenants in respect of its bank borrowings as follows:

- The financial covenants for banking facility I requires the Company and the Group to maintain a debt to equity ratio of not more than 2:1 and a Group net tangible assets of not less than USD45,000,000; and
- The financial covenants for banking facility II require the Company and the Group to maintain a current ratio of not less than 1 and the debt to equity ratio share not be greater than 3:1 with effect from 1 January 2013.

For the year ended 31 March 2015, the Company and the Group has met the conditions set out in the above requirements.

(iv) Liquidity risk

Liquidity risk is the risk that the Company and the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's and the Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company and the Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Company's and the Group's operations and to mitigate the effects of fluctuations in cash flows.

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23. Financial risk management (cont'd)

(iv) Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Group				
	Carrying amount USD	Contractual cash flows USD	One year or less USD	One to five years USD	Over five years USD
2015					
Non-derivative financial liabilities					
Finance lease obligations	5,667,316	6,324,816	1,697,093	4,485,266	142,457
Bank loans	29,586,100	31,653,384	9,350,546	18,248,723	4,054,115
Trade and other payables	13,706,932	13,706,932	13,706,932	-	-
	48,960,348	51,685,132	24,754,571	22,733,989	4,196,572
2014					
Non-derivative financial liabilities					
Finance lease obligations	7,696,571	8,718,020	1,863,660	6,647,794	206,566
Bank loans	23,962,451	26,053,158	4,297,981	16,705,439	5,049,738
Trade and other payables	10,988,995	10,988,995	10,988,995	-	-
	42,648,017	45,760,173	17,150,636	23,353,233	5,256,304

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23. Financial risk management (cont'd)

(iv) Liquidity risk (cont'd)

	Company				
	Carrying amount USD	Contractual cash flows USD	One year or less USD	One to five years USD	Over five years USD
2015					
Non-derivative financial liabilities					
Finance lease obligations	5,667,316	6,324,816	1,697,093	4,485,266	142,457
Bank loans	29,586,101	31,653,384	9,350,546	18,248,723	4,054,115
Trade and other payables	4,114,074	4,114,074	4,114,074	-	-
	39,367,491	42,092,274	15,161,713	22,733,989	4,196,572
2014					
Non-derivative financial liabilities					
Finance lease obligations	7,696,571	8,718,020	1,863,660	6,647,794	206,566
Bank loans	23,962,451	26,053,158	4,297,981	16,705,439	5,049,738
Trade and other payables	9,222,107	9,222,107	9,222,107	-	-
	40,881,129	43,993,285	15,383,748	23,353,233	5,256,304

(v) Foreign currency risk

The Company and the Group are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than its functional currency. The currencies giving rise to this risk are primarily Singapore dollar.

The Company and the Group do not have a hedging policy on its foreign currency exposure.

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23. Financial risk management (cont'd)

(v) Foreign currency risk (cont'd)

The Company's and the Group's exposure to foreign currency are as follows:

	2015 USD	2014 USD
Group		
Trade and other receivables	403,912	3,114,544
Cash and cash equivalents	437,752	500,165
Finance lease obligations	(5,667,316)	(7,696,571)
Bank loan	(12,845,165)	(16,824,759)
Trade and other payables	(973,088)	(3,760,414)
	(18,643,905)	(24,667,035)
Company		
Trade and other receivables	393,995	3,028,833
Cash and cash equivalents	326,184	372,236
Finance lease obligations	(5,667,316)	(7,696,571)
Bank loan	(12,845,165)	(16,824,759)
Trade and other payables	(898,706)	(1,421,537)
	(18,691,008)	(22,541,798)

A 10% strengthening of US dollar against the following currencies at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity USD	Profit or loss USD
Group		
2015		
SGD	1,354,443	1,354,443
2014		
SGD	1,946,578	1,946,578

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23. Financial risk management (cont'd)

Sensitivity analysis for foreign currency risk (cont'd)

	Equity USD	Profit or loss USD
Company		
2015		
SGD	1,357,865	1,357,865
2014		
SGD	1,778,866	1,778,866

A 10% weakening of US dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

24. Performance guarantee

	2015 USD	2014 USD
Performance guarantee in favour of a third party	430,000	785,196

25. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of IIA Technologies Pte. Ltd. on 31 August 2015.

Company Registration No. 200516961K

Ila Technologies Pte. Ltd.
and Its Subsidiaries

Annual Financial Statements
31 March 2016

LinKz

LinKz Assurance PAC

Ila Technologies Pte. Ltd. and Its Subsidiaries

General Information

Ila Technologies Pte. Ltd. and Its Subsidiaries

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Ila Technologies Pte. Ltd. (the Company) and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2016.

Directors

The directors of the Company in office at the date of this report are:

Vishal Jatin Mehta
Sonia Jatin Mehta
Suraj Jatin Mehta
Misra Devi Shanker
Tan Teck Nguan Michael
Savvas Charalambous (appointed on 1 October 2015)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company to a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), director of the Company who held office at the end of the financial year had no interest in shares or debentures of the Company and its related corporations except as stated below:

	Direct interests	
	At 01.04.2015	At 31.03.2016
Ordinary shares of the Company		
Sonia Jatin Mehta	1%	1%
Ordinary shares of the Ultimate Holding Company		
Sonia Jatin Mehta	33%	19%
Vishal Jatin Mehta	62%	38%
Misra Devi Shanker	5%	3%

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Share options

There is currently no share option scheme on any unissued shares.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Auditor

LinKz Assurance PAC has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Vishal Jatin Mehta
Director

Tan Teck Nguan Michael
Director

Singapore

22 AUG 2016

Independent Auditor's Report to the Members of Ila Technologies Pte. Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Ila Technologies Pte. Ltd. (the "Company") and its subsidiaries (collectively, the "Group") which comprise the statements of financial position of the Group and the Company as at 31 March 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report to the Members of IIA Technologies Pte. Ltd.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Other matter

The financial statements for the financial year ended 31 March 2015 were audited by another firm of auditor whose report dated 31 August 2015 expressed an emphasis of matter opinion.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by that subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

LinKz Assurance PAC

LinKz Assurance PAC
Public Accountants and
Chartered Accountants

Singapore

22 AUG 2016

Ila Technologies Pte. Ltd. and Its Subsidiaries

Consolidated Statement of Comprehensive Income
For the financial year ended 31 March 2016

	Note	2016 US$	2015 US$
Revenue	4	90,397,915	76,060,376
Cost of sales		(77,391,425)	(59,384,883)
Gross profit		13,006,490	16,675,493
Other income	5	207,714	1,904,519
Administrative expenses		(3,414,774)	(4,481,613)
Distribution and selling expenses		(374,403)	(585,178)
Finance costs		(1,200,151)	(1,420,142)
Other expenses		(743,136)	(1,248,973)
Profit before tax	6	7,481,740	10,844,106
Income tax expense	7	–	–
Profit for the year, representing total comprehensive income for the year		7,481,740	10,844,106

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Ila Technologies Pte. Ltd. and Its Subsidiaries

Statement of financial position
As at 31 March 2016

	Note	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
ASSETS					
Non-current assets					
Property, plant and equipment	8	65,863,850	73,204,577	68,069,854	74,824,467
Construction work-in-progress	9	–	1,224	–	1,224
Intangible assets	10	431,000	468,180	417,995	455,175
Investment in subsidiaries	11	–	–	50,001	50,001
		66,294,850	73,673,981	68,537,850	75,330,867
Current assets					
Inventories	12	29,511,731	29,308,593	26,759,645	19,340,777
Trade and other receivables	13	33,902,430	22,155,503	29,292,541	25,091,729
Prepaid operating expenses		111,923	144,129	109,250	140,506
Cash and cash equivalents	14	1,137,202	682,532	915,839	517,708
		64,663,286	52,290,757	57,077,275	45,090,720
Total assets		130,958,136	125,964,738	125,615,125	120,421,587
Equity and liabilities					
Current liabilities					
Trade and other payables	15	21,199,833	13,706,932	11,490,926	4,114,073
Finance lease obligations	16	1,562,207	1,435,885	1,562,207	1,435,885
Borrowings	17	9,454,685	8,500,748	9,454,685	8,500,748
		32,216,725	23,643,565	22,507,818	14,050,706
Net current assets		32,446,561	28,647,192	34,570,457	31,040,014
Non-current liabilities					
Finance lease obligations	16	3,347,386	4,231,431	3,347,386	4,231,431
Borrowings	17	10,907,895	21,085,352	10,907,895	21,085,352
		14,255,281	25,316,783	14,255,281	25,316,783
Total liabilities		46,472,006	48,960,348	36,763,099	39,367,489
Net assets		84,487,130	77,004,390	88,853,026	81,054,098
Equity					
Share capital	18	71,767,830	71,767,830	71,767,830	71,767,830
Retained earnings		12,718,300	5,236,560	17,084,196	9,286,268
		84,486,130	77,004,390	88,852,026	81,054,098
Total equity and liabilities		130,958,136	125,964,738	125,615,125	120,421,587

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Ila Technologies Pte. Ltd. and Its Subsidiaries

Statements of Changes in Equity
For the financial year ended 31 March 2016

	Share capital US$ (Note 18)	Retained earnings US$	Total equity S$
Group			
2016			
At 1 April 2015	71,767,830	5,236,560	77,004,390
Profit for the year, representing total comprehensive income for the year	–	7,481,740	7,481,740
Balance at 31 March 2016	71,767,830	12,718,300	84,486,130
2015			
At 1 April 2014	71,767,830	7,392,454	79,160,284
Profit for the year, representing total comprehensive income for the year	–	10,844,106	10,844,106
Dividend paid (Note 19)	–	(13,000,000)	(13,000,000)
Balance at 31 March 2015	71,767,830	5,236,560	77,004,390
Company			
2016			
At 1 April 2015	71,767,830	9,286,268	81.054.098
Profit for the year, representing total comprehensive income for the year	–	7,797,928	7,797,928
Balance at 31 March 2016	71,767,830	17,084,196	88,852,026
2015			
At 1 April 2014	71,767,830	10,302,973	82,070,803
Profit for the year, representing total comprehensive income for the year	–	11,983,295	11,983,295
Dividend paid (Note 19)	–	(13,000,000)	(13,000,000)
Balance at 31 March 2015	71,767,830	9,286,268	81,054,098

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Ila Technologies Pte. Ltd. and Its Subsidiaries

Consolidated Cash Flow Statement
For the financial year ended 31 March 2016

	2016 US$	2015 US$
Operating activities:		
Profit before tax	7,481,740	10,844,106
Adjustments for:		
Depreciation of property, plant and equipment	8,675,451	8,627,841
Interest expenses	1,200,151	1,420,142
Intangible assets written off	89,655	23,072
Amortisation of intangible assets	37,376	25,892
Gain on disposal of property, plant and equipment	(75,471)	(279,169)
Interest income	(217)	(9,053)
Construction-in-progress written off	–	1,054,184
Property, plant and equipment written off	–	93,253
Gain on foreign exchange	296,587	(1,154,184)
Operating profit before changes in working capital	17,705,272	20,646,084
Changes in working capital		
Increase in inventories	(203,138)	(14,467,877)
(Increase)/decrease in trade and other receivables	(11,726,435)	12,484,570
Decrease in prepaid operating expenses	32,206	8,080
Increase in trade and other payables	7,446,176	4,094,441
Cash generated from operations	13,254,081	22,765,298
Interest received	217	9,053
Net cash flows generated from operating activities	13,254,298	22,774,351
Cash flows from investing activities:		
Purchase of property, plant and equipment	(807,887)	(8,279,400)
Proceeds from disposal of property, plant and equipment	127,025	642,170
Payment of construction work-in-progress	–	(733,182)
Payment of intangible assets	(89,851)	(164,556)
Net cash flows used in investing activities	(770,713)	(8,534,968)
Cash flows from financing activities:		
Amount due from holding company	–	(4,112,464)
Amount due from related parties	–	429,721
Dividend paid	–	(13,000,000)
Interest paid	(1,200,151)	(1,420,142)
Repayment from borrowings	(9,414,737)	(7,260,532)
Proceeds from borrowings	–	12,884,181
Repayment of finance lease obligations	(1,418,984)	(2,058,155)
Net cash flows (used in)/from financing activities	(12,033,872)	(14,537,391)
Net increase/(decrease) in cash and cash equivalents	449,713	(298,008)
Effect of exchange rate changes on cash and cash equivalents	4,957	–
Cash and cash equivalents at beginning of the year	682,532	980,540
Cash and cash equivalents at end of the year (Note 14)	1,137,202	682,532

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Ila Technologies Pte. Ltd. ("the Company") is a private limited liability company, which is incorporated and domiciled in the Republic of Singapore.

The Company's immediate holding company is Spring Field Group Limited (formerly known as JRD International Limited), a company incorporated in the Bahamas Island. The Company's ultimate holding company is Ila Holdings Group Limited, a company incorporated in British Virgin Islands.

The registered office is at 65 Chulia Street #38-02/3 OCBC Centre, Singapore 049513 and principal place of business of the Company is located at 17 Tukang Innovation Drive, Singapore 618300.

The principal activities of the Company are growing of diamonds. The principal activities of the subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the activities during the financial year.

The consolidated financial statements relate to the Company and its subsidiaries.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar (USD or US$).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 April 2015. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 April 2016. The directors does not expect that adoption of these accounting standards or interpretations will have a material impact on the Company's financial statements.

2.4 Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation and business combinations (continued)

Basis of consolidation (continued)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 Foreign currency

The Group's consolidated financial statements are presented in US$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold building	:	30 years (over term of lease)
Office equipment	:	3 - 5 years
Furniture and fittings	:	3 years
Motor vehicles	:	6 years
Machinery	:	3 - 10 years
Renovation	:	3 - 30 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Assets under construction are not depreciated as these assets are not yet available for use.

The residual values, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

Patents

Patents was acquired separately and is amortised on a straight line basis over its finite useful life of 5-10 years.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (continued)

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Summary of significant accounting policies (continued)

(b) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.11 Impairment of financial assets

The Group assesses at each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

2. Summary of significant accounting policies (continued)

2.11 Impairment of financial assets (continued)

(a) Financial assets carried at amortised cost (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and on hand, demand deposits and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (continued)

2.15 Borrowing costs

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that on entity incurs in connection with the borrowing of funds.

2.16 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.17 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) *Interest income*

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (continued)

2.19 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

2. Summary of significant accounting policies (continued)

2.19 Taxes (continued)

(b) Deferred tax

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.20 Government grants

Government grants are recognised when there is reasonably assurance that the grant will be received and all attaching conditions will be complied with. These grants are then recognised in profit or loss as "other income" on a systematic basis in the same period in which the conditions are met.

2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

2. Summary of significant accounting policies (continued)

2.21 Contingencies (continued)

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies
In the process of applying the Group's accounting policies, management has not made any judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful lives of property, plant and equipment

The cost of the property, plant and equipment is depreciated on a straight-line basis over their useful lives estimated to be within 3 to 30 years. The carrying amount of Group's property, plant and equipment at 31 March 2016 is disclosed in Note 8 to the financial statements. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. Significant accounting judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the end of each reporting period is disclosed in Note 13 to the financial statements.

4. Revenue

Revenue in respect of the Group represents invoiced value of goods supplied and excludes intra-group transactions.

5. Other income

	Group	
	2016	**2015**
	US$	US$
Interest income	217	9,053
Government grants	123,668	149,147
Gain on disposal of property, plant and equipment	75,471	297,272
Gain on foreign exchange	–	1,436,386
Other income	8,358	12,661
	207,714	1,904,519

6. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2016	**2015**
	US$	US$
Depreciation of property, plant and equipment	8,675,451	8,627,841
Amortisation of intangible assets	37,376	25,892
Intangible assets written off	89,655	23,072
Loss on foreign exchange	205,041	–
Rental of premises and equipment	183,273	437,212
Staff cost included in employee benefits (inclusive of directors' benefits):		
- Salaries and bonus	5,359,983	6,472,331
- Central Provident Fund	466,401	542,214
- Foreign worker levy	253,526	337,533
- Short-term employee benefits	9,216	93,867

7. Income tax expense

There is no income tax expense for both the Group and the Company as the Company was granted a five years Pioneer Incentive Manufacturing.

Relationship between tax expense and accounting profit

A reconciliation between the tax expense and the profit before tax multiplied by the applicable corporate tax rate for the financial years ended 31 March are as follow:

	Group	
	2016	**2015**
	US$	US$
Profit before tax	7,481,740	10,844,106
Tax at the domestic rates applicable to profit in the countries where the Group operates	1,271,896	1,843,498
Adjustments:		
Non-deductible expenses	1,622,202	249,233
Income not subject to taxation	(45,393)	(214,858)
Pioneer incentive	(1,065,056)	(1,996,357)
Benefits from previously unrecognised tax losses	(2,940,292)	–
Deferred tax asset not recognised	1,156,643	118,484
	–	–

The above reconciliations are prepared by aggregating separate reconciliations for each national jurisdiction.

Pioneer incentive

The Company was granted a five years Pioneer Incentive Manufacturing with effect from 1 April 2012 subject to the Company meeting certain terms and conditions set out in the letter of offer dated 4 April 2012. The tax incentive may be extended for another 10 years subject to the Company meeting the additional terms and conditions as stipulated in the said letter of award for the extension.

Corporate income tax rebate

The Singapore Government has announced that for the Years of Assessment (YA) 2016 and 2017, companies will receive a 50% Corporate Income Tax (CIT) Rebate that is subject to a cap of US$14,419 per YA.

Deferred tax asset not recognised

As at 31 March 2016, the Group has unutilised tax losses and unutilised capital allowances of approximately US$2,790,760 (2015: US$1,634,117) and US$9,693,684 (2015: US$20,724,483), respectively, available for offset against future taxable profits of the Group in which the tax losses arose, for which no deferred tax asset is recognise and subject to no substantial change to shareholding, trade and agreement by Inland Revenue Authority of Singapore.

8. Property, plant and equipment

Group	Leasehold building US$	Office equipment US$	Furniture and fittings US$	Motor vehicles US$	Machinery US$	Renovation US$	Total US$
Cost:							
At 1 April 2014	14,029,280	2,688,649	197,486	896,871	55,116,393	23,802,646	96,731,325
Additions	–	114,602	84,730	21,872	6,373,006	1,714,090	8,308,300
Disposals	–	(10,133)	–	(30,947)	(414,065)	(83,411)	(538,556)
Transfer from construction work-in-progress	–	56,930	–	–	–	–	56,930
Written off	–	–	–	–	–	(556,045)	(556,045)
At 31 March 2015 and 1 April 2015	14,029,280	2,850,048	282,216	887,796	61,075,334	24,877,280	104,001,954
Additions	–	2,480	4,292	370,500	1,003,408	5,598	1,386,278
Disposals	–	–	(78)	(265,374)	(476,614)	–	(742,066)
At 31 March 2016	14,029,280	2,852,528	286,430	992,922	61,602,128	24,882,878	104,646,166
Accumulated depreciation:							
At 1 April 2014	660,200	757,653	110,478	331,229	18,982,710	1,965,613	22,807,883
Charge for the financial year	495,151	603,668	76,934	137,803	6,200,533	1,113,752	8,627,841
Disposals	–	(8,377)	–	(14,614)	(69,153)	(83,411)	(175,555)
Written off	–	–	–	–	–	(462,792)	(462,792)
At 31 March 2015 and 1 April 2015	1,155,351	1,352,944	187,412	454,418	25,114,090	2,533,162	30,797,377
Charge for the financial year	495,151	639,572	55,519	161,244	6,440,978	882,987	8,675,451
Disposals	–	–	(78)	(229,362)	(461,072)	–	(690,512)
At 31 March 2016	1,650,502	1,992,516	242,853	386,300	31,093,996	3,416,149	38,782,316
Net carrying amount:							
At 31 March 2016	12,378,778	860,012	43,577	606,622	30,508,132	21,466,729	65,863,850
At 31 March 2015	12,873,929	1,497,104	94,804	433,378	35,961,244	22,344,118	73,204,577

Ila Technologies Pte. Ltd. and Its Subsidiaries

Notes to the Financial Statements
For the financial year ended 31 March 2016

8. Property, plant and equipment (continued)

Company	Leasehold building US$	Office equipment US$	Furniture and fittings US$	Motor vehicles US$	Machinery US$	Renovation US$	Total US$
Cost:							
At 1 April 2014	14,029,280	2,688,649	181,573	896,871	55,865,166	23,246,601	96,908,140
Additions	–	114,602	78,540	21,872	6,856,070	1,714,090	8,785,174
Disposals	–	(10,133)	–	(30,947)	(12,843)	(83,411)	(137,334)
Transfer from construction work-in-progress	–	56,930	–	–	–	–	56,930
At 31 March 2015 and 1 April 2015	14,029,280	2,850,048	260,113	887,796	62,708,393	24,877,280	105,612,910
Additions	–	2,480	4,292	370,500	1,003,407	5,599	1,386,278
Transfer from a subsidiary	–	–	8,303	–	800,370		808,673
Disposals	–	–	(78)	(265,374)	(476,614)	–	(742,066)
At 31 March 2016	14,029,280	2,852,528	272,630	992,922	64,035,556	24,882,879	107,065,795
Accumulated depreciation:							
At 1 April 2014	660,200	757,653	103,700	331,229	18,991,962	1,771,980	22,616,724
Charge for the financial year	495,151	603,668	69,912	137,803	6,133,041	844,593	8,284,168
Disposals	–	(8,377)	–	(14,614)	(6,047)	(83,411)	(112,449)
At 31 March 2015 and 1 April 2015	1,155,351	1,352,944	173,612	454,418	25,118,956	2,533,162	30,788,443
Charge for the financial year	495,151	639,572	55,519	161,244	6,663,537	882,987	8,898,010
Disposals	–	–	(78)	(229,362)	(461,072)	–	(690,512)
At 31 March 2016	1,650,502	1,992,516	229,053	386,300	31,321,421	3,416,149	38,995,941
Net carrying amount:							
At 31 March 2016	12,378,778	860,012	43,577	606,622	32,714,135	21,466,730	68,069,854
At 31 March 2015	12,873,929	1,497,104	86,501	433,378	37,589,437	22,344,118	74,824,467

8. Property, plant and equipment (continued)

The carrying amounts of property, plant and equipment acquired under finance lease obligations for the Group and the Company were US$8,757,254 (2015: US$9,233,480) and US$8,757,254 (2015: US$9,233,480) respectively.

During the financial year, the Group and the Company acquired property, plant and equipment costing US$1,386,278 (2015: US$8,308,300) and US$1,386,278 (2015: US$8,785,174) of which US$578,391 (2015: US$21,872) and US$578,391 (2015: US$21,872) and respectively was acquired by finance lease obligations. The cash outflow on acquisition of property, plant and equipment of the Group and the Company amounted to US$807,887 (2015: US$8,279,400) and US$807,887 (2015: US$8,756,274)

As at 31 March 2016, leasehold building and plant and equipment excluding the finance lease obligations disclosed above were pledged to secure bank loans granted to the Company and the Group as disclosed in Note 17 to the financial statements.

9. Construction work-in-progress

Company	**Software** US$
Cost:	
At 1 April 2014	808,877
Additions	733,182
Transfer to property, plant and equipment	(56,930)
Recharged to related party	(429,721)
Written off	(1,054,184)
At 31 March 2015 and 1 April 2015	1,224
Recharged to related party	(1,224)
At 31 March 2016	–

Construction and project work-in-progress relate to property, plant and equipment to be constructed or developed for the Company and the Group and are stated at cost. Transfers are make to property, plant and equipment upon completion.

10. Intangible assets

Group	Goodwill on consolidation US$	Patents and trademarks US$	Work in progress US$	Total US$
Cost:				
At 1 April 2014	13,005	363,882	–	376,887
Additions	–	164,556	–	164,556
Written off	–	(27,286)	–	(27,286)
At 31 March 2015 and 1 April 2015	13,005	501,152	–	514,157
Additions	–	19,977	69,874	89,851
Reclassified to work in progress	–	(221,286)	221,286	–
Written off	–	–	(89,655)	(89,655)
At 31 March 2016	13,005	299,843	201,505	514,353
Accumulated amortisation:				
At 1 April 2014	–	24,299	–	24,299
Charge for the year	–	25,892	–	25,892
Written off	–	(4,214)	–	(4,214)
At 31 March 2015 and 1 April 2015	–	45,977	–	45,977
Charge for the year	–	37,376	–	37,376
At 31 March 2016	–	83,353	–	83,353
Net carrying amount:				
At 31 March 2016	13,005	216,490	201,505	431,000
At 31 March 2015	13,005	455,175	–	468,180

Goodwill on consolidation arose from the acquisition of the subsidiary, Helios International Pte. Ltd..

10. Intangible assets (continued)

Company	Patents and trademark US$	Work in progress US$	Total US$
Cost:			
At 1 April 2014	363,882	–	363,882
Additions	164,556	–	164,556
Written off	(27,286)	–	(27,286)
At 31 March 2015 and 1 April 2015	501,152	–	501,152
Additions	19,977	69,874	89,851
Reclassified to work in progress	(221,286)	221,286	–
Written off	–	(89,655)	(89,655)
At 31 March 2016	299,843	201,505	501,348
Accumulated amortisation:			
At 1 April 2014	24,299	–	24,299
Charge for the year	25,892	–	25,892
Written off	(4,214)	–	(4,214)
At 31 March 2015 and 1 April 2015	45,977	–	45,977
Charge for the year	37,376	–	37,376
At 31 March 2016	83,353	–	83,353
Net carrying amount:			
At 31 March 2016	216,490	201,505	417,995
At 31 March 2015	455,175	–	455,175

Patents and trademarks

The Group's patents and trademark protect the design and specification of its technology in worldwide.

Amortisation expense

The amortisation of patent and trademarks is included in the administrative expenses line items in profit or loss.

11. Investment in subsidiaries

	Company 2016 US$	Company 2015 US$
Unquoted shares, at cost	50,001	50,001

The subsidiaries as at 31 March are:

Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group 2016 %	2015 %
Sungate Oriental Limited**	Investment holding (British Virgin Islands)	100	100
Held through Sungate Oriental Limited			
Helios International Pte. Ltd. *	Assembly, construction and sale of chemical vapour deposition machine (Republic of Singapore)	100	100

* Audited by LinKz Assurance PAC
** Not required to be audited in the country of incorporation.

12. Inventories

	Group 2016 US$	Group 2015 US$	Company 2016 US$	Company 2015 US$
Raw materials	15,764,462	19,149,081	13,335,601	14,751,700
Components and parts	327,975	966,850	28,700	37,439
Work-in-progress	19,331	2,415,106	–	1,503,474
Finished goods	13,164,275	6,125,909	13,159,656	3,039,374
Production supplies	235,688	8,790	235,688	8,790
	29,511,731	28,665,736	26,759,645	19,340,777
Deposits and advances made to suppliers	–	642,857	–	–
	29,511,731	29,308,593	26,759,645	19,340,777

Deposits and advances made to suppliers

Deposits and advances paid to suppliers comprised mainly labour charges, costs of spare parts and components send to subcontractors for assembling and construction of equipment for resale.

Inventories recognised as expenses in cost of sales is US$55,926,902 (2015: US$38,127,684).

13. Trade and other receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$	US$	US$	US$
Trade receivables:				
- Third parties	28,086,004	17,902,126	24,405,023	17,414,949
- Related company	50,398	507,746	2,060	507,746
- Related parties	3,153,725	2,948,168	457,545	–
Less:				
Allowance for doubtful debt	–	(1,070)	–	(1,070)
Total trade receivables	31,290,127	21,356,970	24,864,628	17,921,625
Other receivables:				
Amount due from immediate holding company	955,003	222,320	955,003	222,320
Amount due from subsidiary	–	–	2,503,463	6,473,641
Amount due from related company	508,855	–	508,855	–
Amount due from related parties	–	133,917	–	133,917
Deposits	744,582	235,578	97,580	139,547
Other receivables	403,863	206,718	363,012	200,679
Total other receivables	2,612,303	798,533	4,427,913	7,170,104
Total trade and other receivables	33,902,430	22,155,503	29,292,541	25,091,729
Add:				
Cash and cash equivalents (Note 14)	1,137,202	682,532	915,839	517,708
Total loans and receivables	35,039,632	22,838,035	30,208,380	25,609,437

Trade receivables

Trade receivables are non-interest bearing and are generally on 90-120 days' term. They are recognised at their original invoice amounts that represent their fair values on initial recognition.

Amount due from immediate holding company, subsidiary, related company and related parties

The amounts are non-trade in nature, unsecured, interest free, has no fixed term of repayment and are expected to be settled in cash.

Trade and other receivables denominated in foreign currency at 31 March is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	US$	US$	US$	US$
Singapore dollar ("SGD")	658,647	485,635	650,434	475,718

13. Trade and other receivables (continued)

Receivables that are past due but not impaired

The Group and the Company has trade receivables amounting to US$20,194,756 (2015: US$2,405,359) and US$13,767,257 (2015: US$1,070) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period are as follows:

	Group		Company	
	2016 US$	2015 US$	2016 US$	2015 US$
Trade receivables past due but not impaired				
Past due less than 3 months	14,260,704	1,969,515	13,767,257	–
Past due 3 to 6 months	1,272,549	239,914	–	–
Past due over 6 months	4,659,503	195,930	–	1,070

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group and Company			
	Collectively impaired		Individually impaired	
	2016 US$	2015 US$	2016 US$	2015 US$
Trade receivables – nominal amounts	–	1,070	1,070	1,070
Less: Allowance for impairment	–	(1,070)	(1,070)	(1,070)
	–	–	–	–
Movement in allowance accounts:				
At 1 April	1,070	–	1,070	–
Reversal of allowance for impairment	(1,070)	–	–	–
Charge for the year	–	1,070	–	1,070
At 31 March	–	1,070	1,070	1,070

14. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Cash on hand	1,389	1,992	1,274	1,823
Cash at bank	1,135,813	680,540	914,565	515,885
	1,137,202	682,532	915,839	517,708

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents denominated in foreign currencies at 31 March are as follows:

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Singapore dollar ("SGD")	324,481	437,752	268,653	326,184
Euro dollar ("EUR")	1,279	1,500	–	–

15. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	US$	US$	US$	US$
Trade payables:				
- Third parties	19,186,341	12,077,489	5,308,679	2,603,694
- Subsidiary	–	–	4,768,376	–
- Related parties	656,826	–	21,072	–
Total trade payables	19,843,167	12,077,489	10,098,127	2,603,694
Other payables:				
Other payables				
- Third parties	703,077	822,606	700,084	772,845
- Related parties	6,889	15,484	6,229	12,308
Amount due to subsidiary	–	–	50,000	50,000
Amount due to related parties	–	107,557	–	–
Accrued operating expenses	646,700	524,221	636,486	515,651
Derivatives	–	159,575	–	159,575
Total other payables	1,356,666	1,629,443	1,392,799	1,510,379

15. Trade and other payables (continued)

	Group		Company	
	2016 US$	2015 US$	2016 US$	2015 US$
Total trade and other payables	21,199,833	13,706,932	11,490,926	4,114,073
Add:				
Finance lease obligations (Note 16)	4,909,563	5,667,316	4,909,563	5,667,316
Loans and borrowings (Note 17)	20,362,580	29,586,100	20,362,580	29,586,100
Total financial liabilities carried at amortised cost	46,471,976	48,960,348	36,763,069	39,367,489

Trade payables

Trade payable is non-interest bearing, normally settled on 30-60 days' terms. They are recognised at their original invoice amounts that represent their fair value on initial recognition.

Amount due to subsidiary and related parties

The amounts are non-trade in nature, unsecured, interest free, has no fixed term of repayment and repayable on demand.

Derivatives

In 2015, this amount was future foreign currency contract where the Company entered to lock the exchange rate for future payment. Forward currency contracts are used to hedge the Company's payments denominated in Singapore Dollar (SG$) against US$ for which firm commitments existed at the end of the reporting period.

Trade and other payables denominated in foreign currencies as at 31 March are as follows:

	Group		Company	
	2016 US$	2015 US$	2016 US$	2015 US$
Singapore Dollar ("SGD")	1,070,542	1,438,449	1,104,556	1,374,848
Great Britain Pound ("GBP)	80,777	–	80,777	–
Japanese Yen ("JPY")	7,947	–	7,947	–
Europe Dollar ("EUR")	5,806	6,168	5,806	6,168
Indian Rupee ("INR")	3,629	8,728	3,629	8,728

16. Finance lease obligations

The Group and the Company purchased motor vehicle and machineries using leased facility for its business operation. This lease was classified as hire purchase and will expire within 1-7 years. Finance lease obligation bears interest rate at 4.05% (2015: 6.06%) per annum. Future minimum lease payments under hire purchase together with the present value of the net minimum lease payments are as follows:

16. Finance lease obligations (continued)

	Group and Company			
	Minimum payments 2016 US$	Present value of payments 2016 US$	Minimum payments 2015 US$	Present value of payments 2015 US$
Within one year	1,772,825	1,562,207	1,697,093	1,435,885
After one year but not more than five years	3,370,529	3,177,416	4,485,266	4,096,960
After five years	173,340	169,970	142,457	134,471
Total minimum lease payments	5,316,694	4,909,593	6,324,816	5,667,316
Less: amounts representing finance charges	(407,101)	–	(657,500)	–
Present value of lease payments	4,909,593	4,909,593	5,667,316	5,667,316

17. Borrowings

		Group and Company	
	Maturity	2016 US$	2015 US$
Current:			
USD loan at LIBOR +3.5%	2017	6,666,667	5,826,946
SGD loan at SIBOR +1.75%	2018-2027	2,788,018	2,673,802
		9,454,685	8,500,748
Non-current:			
USD loan at LIBOR +3.5%	2017	3,333,333	10,913,989
SGD loan at SIBOR +1.75%	2018-2027	7,574,562	10,171,363
		10,907,895	21,085,352
		20,362,580	29,586,100

USD bank loan at LIBOR +3.5% per annum

The loan is secured on certain plant and equipment, a promissory note of US$22,000,000 subscribed by the Company and a negative pledge over all the assets of the Company and the Group. The facility is repayable in 6 equal instalments from February 2015 to August 2017 at float rate of libor plus margin. The interest rate used in financial year 2016 was 4.10% (2015: 3.98%) per annum.

SGD loan at SIBOR +1.75% per annum

Borrowings with a financial institution ("Banking Facility I") are secured on a first legal mortgage on the Company's leasehold building as disclosed in Note 8. Part of the bank loans amounting to US$5,089,884 (2015: US$7,195,726) are repayable in 60 monthly instalments at an effective average interest rate of 2.91% (2015: 2.27%) per annum and the remaining bank loan of approximately US$5,272,695 (2015: US$5,649,483) repayable over 168 month instalments at an effective interest rate of 2.62% (2015: 1.98%) per annum.

18. Share capital

	Group and Company			
	2016	2016	2015	2015
	No. of shares	S$	No. of shares	S$
Issued and fully paid ordinary shares:				
Beginning and end of financial year	58,081,508	71,767,830	58,081,508	71,767,830

All issued share capital are fully paid. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

19. Dividend

	Company	
	2016	2015
	US$	US$
Declared and paid during the financial year		
Dividend on ordinary shares		
Interim exempt (one-tier) dividend for 2016:		
Nil (2015: US$0.224) per share	–	13,000,000

20. Commitments

(a) Operating lease commitments

The Group had entered into commercial leases on factory and land. This lease has a tenure of 30 years with no renewal option included in the contract. The Group is restricted from subleasing the factory and land to third parties.

	Group and Company	
	2016	2015
	US$	US$
Not later than one year	206,883	175,401
Later than one year but not later than five years	1,034,416	701,606
More than five years	3,896,302	3,690,737
	5,137,601	4,567,744

20. Commitments (continued)

(b) Bank guarantee

The Group and the Company has guarantee amount provided to one of the electricity supplier agreement entered between the Company and the supplier.

	Group and Company	
	2016	2015
	US$	US$
Bank guarantee	573,607	772,480

(c) Contingent liabilities

Legal claim

On 13 June 2016, a Company has commenced an action against the Group in the High Court of the Republic of Singapore in respect of patents infringement. The lawsuit is currently pending before the Singapore High Court. At this stage, the Group has been advised by its legal counsel that they are not in the position to provide an assessment of the amounts and the probable outcome of the lawsuit and accordingly no provision for any liability has been made.

21. Related parties transaction

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed by the parties as follow:

(a) Transactions with related parties

	Group	
	2016	2015
	US$	US$
Sale of goods to:		
- Related company	89,488	88,048
- Related parties	14,004,869	7,786,697
Purchase of materials from		
- Related company	95,092	365,674
- Related parties	1,839,400	3,318,894
Reimbursement of expenses paid on behalf		
- Related company	–	507,746
Sale of property, plant and equipment		
- Related parties	–	437,590
Professional fees		
- Related parties	254,171	320,367

21. Related parties transaction (continued)

(b) Compensation of key management personnel

	Group and Company	
	2016	**2015**
	US$	US$
Directors' of the Company		
Salaries and bonuses	586,324	694,814
Directors' fees	9,216	19,622
Central provident fund contributions	15,041	12,150

22. Fair value financial instruments

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Liabilities measured at fair value

Liabilities measured at fair value under significant observable inputs other than quoted prices at the end of the reporting period are derivatives.

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) Assets and liabilities not carried at fair value but for which fair value is disclosed

The carrying amounts of the borrowings (non-current) are reasonable approximation of fair value as the interest rates are re-priced to market interest rates on near the end of each reporting date.

23. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks.

There has been no change to the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and process for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position and the corporate guarantees provided by the Group.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2016		2015	
	US$	% of total	US$	% of total
By country:				
Hong Kong	13,356,942	43%	391,194	2%
India	12,997,622	42%	14,584,646	68%
Singapore	13,251	1%	2,119,243	10%
United Arab Emirates	4,654,549	13%	4,140,989	19%
Others	267,763	1%	120,898	1%
	31,290,127	100%	21,356,970	100%

At the end of the reporting period, approximately 84% (2015: 82%) of the Group's trade receivables were due from 3 major customers who are located in Hong Kong, India and United Arab Emirates.

23. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions and no history of default.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 13.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their borrowings and finance lease. The Group's and the Company's financial assets and liabilities at floating rates are re-priced regularly with the financial institutions.

Sensitivity analysis for interest rate risk

At the end of reporting period, if interest rates had been 100 (2015: 100) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been US$169,009 (2015: US$122,782) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(c) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

In the management of liquidity risk, the Group or the Company monitors and maintains a level of cash and bank balances deemed adequate by management to finance the Group's and Company's operations and mitigate the effects of fluctuation in cash flows.

23. Financial risk management objectives and policies (continued)

(c) *Liquidity risk (continued)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of reporting period based on contractual undiscounted repayment obligations.

Group	2016 US$			
	One year or less	One to five years	More than five years	Total
Financial liabilities:				
Trade and other payables	21,199,833	–	–	21,199,833
Finance lease obligations	1,772,825	3,370,529	173,340	5,316,694
Borrowings	9,454,685	8,050,174	2,857,721	20,362,580
Total undiscounted financial liabilities	32,427,343	11,420,703	3,031,061	46,879,107

Group	2015 US$			
	One year or less	One to five years	More than five years	Total
Financial liabilities:				
Trade and other payables	13,706,932	–	–	13,706,932
Finance lease obligations	1,697,093	4,485,266	142,457	6,324,816
Borrowings	6,265,332	20,607,661	2,713,107	29,586,100
Total undiscounted financial liabilities	21,669,357	25,092,927	2,855,564	49,617,848

Company	2016 US$			
	One year or less	One to five years	More than five years	Total
Financial liabilities:				
Trade and other payables	11,490,926	–	–	11,490,926
Finance lease obligations	1,772,825	3,370,529	173,340	5,316,694
Borrowings	9,454,685	8,050,174	2,857,721	20,362,580
Total undiscounted financial liabilities	22,718,436	11,420,703	3,031,061	37,170,200

Company	2015 US$			
	One year or less	One to five years	More than five years	Total
Financial liabilities:				
Trade and other payables	4,114,073	–	–	4,114,073
Finance lease obligations	1,697,093	4,485,266	142,457	6,324,816
Borrowings	6,265,332	20,607,661	2,713,107	29,586,100
Total undiscounted financial liabilities	12,076,498	25,092,927	2,855,564	40,024,989

23. Financial risk management objectives and policies (continued)

(d) Foreign currency exchange risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies in which these transactions are denominated are mainly Singapore Dollar. The Group's cash and cash equivalents and trade receivables and payables balances at the end of reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. The management monitors the level of cash and cash equivalents denominated in foreign currencies on an ongoing basis to minimise the currency exposures. At the end of the reporting period, such foreign currency balances are mainly in SGD.

In 2016, the Group does not use forward currency contracts to minimise the currency exposures.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the SGD exchange rates against USD with all other variables held constant.

		2016 US$ Profit net of tax	**2015** US$ Profit net of tax
USD/SGD	- strengthened (2015: 10%)	1,081,543	1,166,707
	- weakened (2015: 10%)	(1,081,543)	(1,166,707)

24. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2016 and 31 March 2015.

25. Authorisation of financial statements

The financial statements of Ila Technologies Pte Ltd and its subsidiaries for the financial year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors on 22 August 2016.

This is the Exhibit marked "**SFW-32**"

referred to in the 12th Affidavit of

SUSAN JANE FLETCHER WATTS

affirmed in the United Kingdom

on this 17 day of March 2018

Before Me,

A NOTARY PUBLIC

RICHARD GARETH GRIFFITHS
Solicitor & Notary Public
Downend Lodge
Chieveley
ENGLAND RG20 8TN

SINGAPORE STANDARD ON AUDITING

SSA 550

Related Parties

This SSA 550 supersedes the SSA of the same title in September 2009. Conforming amendments have been made to other SSA.

SSA 610 (Revised 2013) Using the Work of Internal Auditors gave rise to conforming amendments in this SSA in November 2013. These amendments are effective for audits of financial statements for periods ending on or after 15 December 2013.

SINGAPORE STANDARD ON AUDITING 550

RELATED PARTIES

(Effective for audits of financial statements for periods ending on or after 15 December 2013)

CONTENTS

Singapore Standard on Auditing (SSA) 550, "Related Parties" should be read in conjunction with SSA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Singapore Standards on Auditing."

SINGAPORE STANDARD ON AUDITING

SSA 550

Foreword

i. This Standard is based on International Standard on Auditing 550, with such amendments as were considered appropriate for local adoption.

ii. The major amendments are as follows:

Para 10 (b)(i) A related party as defined in the applicable financial reporting framework; or

is replaced by

Para 10 (b)(i) A related party as defined in the applicable financial reporting framework[6a]; or

[[6a] The applicable FRS would be FRS 24 *Related Party Disclosures*]

Introduction

Scope of this SSA

1. This Singapore Standard on Auditing (SSA) deals with the auditor's responsibilities relating torelated party relationships and transactions in an audit of financial statements. Specifically, it expands on how SSA 315 (Revised)[1], SSA 330[2], and SSA 240[3] are to be applied in relation to risks of material misstatement associated with related party relationships and transactions.

Nature of Related Party Relationships and Transactions

2. Many related party transactions are in the normal course of business. In such circumstances, they may carry no higher risk of material misstatement of the financial statements than similar transactions with unrelated parties. However, the nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. For example:

- Related parties may operate through an extensive and complex range of relationships and structures, with a corresponding increase in the complexity of related party transactions.

- Information systems may be ineffective at identifying or summarizing transactions and outstanding balances between an entity and its related parties.

- Related party transactions may not be conducted under normal market terms and conditions; for example, some related party transactions may be conducted with no exchange of consideration.

[1] SSA 315 (Revised), "*Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*".
[2] SSA 330, "*The Auditor's Responses to Assessed Risks*".
[3] SSA 240, "*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*".

Responsibilities of the Auditor

3. Because related parties are not independent of each other, many financial reporting frameworks establish specific accounting and disclosure requirements for related party relationships, transactions and balances to enable users of the financial statements to understand their nature and actual or potential effects on the financial statements. Where the applicable financial reporting framework establishes such requirements, the auditor has a responsibility to perform audit procedures to identify, assess and respond to the risks of material misstatement arising from the entity's failure to appropriately account for or disclose related party relationships, transactions or balances in accordance with the requirements of the framework.

4. Even if the applicable financial reporting framework establishes minimal or no related party requirements, the auditor nevertheless needs to obtain an understanding of the entity's related party relationships and transactions sufficient to be able to conclude whether the financial statements, insofar as they are affected by those relationships and transactions: (Ref: Para. A1)

   (a) Achieve fair presentation (for fair presentation frameworks); or (Ref: Para. A2)

   (b) Are not misleading (for compliance frameworks). (Ref: Para. A3)

5. In addition, an understanding of the entity's related party relationships and transactions is relevant to the auditor's evaluation of whether one or more fraud risk factors are present as required by SSA 240[4], because fraud may be more easily committed through related parties.

6. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the SSAs[5]. In the context of related parties, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:

   - Management may be unaware of the existence of all related party relationships and transactions, particularly if the applicable financial reporting framework does not establish related party requirements.

   - Related party relationships may present a greater opportunity for collusion, concealment or manipulation by management.

7. Planning and performing the audit with professional skepticism as required by SSA 200[6] is therefore particularly important in this context, given the potential for undisclosed related party relationships and transactions. The requirements in this SSA are designed to assist the auditor in identifying and assessing the risks of material misstatement associated with related party relationships and transactions, and in designing audit procedures to respond to the assessed risks.

Effective Date

8. This SSA is effective for audits of financial statements for periods ending on or after 15 December 2013.

Objectives

9. The objectives of the auditor are:

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[4] SSA 240, paragraph 24.
[5] SSA 200, "*Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Singapore Standards on Auditing*," paragraph A52.
[6] SSA 200, paragraph 15.

(a) Irrespective of whether the applicable financial reporting framework establishes related party requirements, to obtain an understanding of related party relationships and transactions sufficient to be able:

(i) To recognize fraud risk factors, if any, arising from related party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud; and

(ii) To conclude, based on the audit evidence obtained, whether the financial statements, insofar as they are affected by those relationships and transactions:

a. Achieve fair presentation (for fair presentation frameworks); or

b. Are not misleading (for compliance frameworks); and

(b) In addition, where the applicable financial reporting framework establishes related party requirements, to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements in accordance with the framework.

Definitions

10. For purposes of the SSAs, the following terms have the meanings attributed below:

(a) Arm's length transaction – A transaction conducted on such terms and conditions as between a willing buyer and a willing seller who are unrelated and are acting independently of each other and pursuing their own best interests.

(b) Related party – A party that is either: (Ref: Para. A4-A7)

(i) A related party as defined in the applicable financial reporting framework[6a]; or

(ii) Where the applicable financial reporting framework establishes minimal or no related party requirements:

a. A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity;

b. Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or

c. Another entity that is under common control with the reporting entity through having:

i. Common controlling ownership;

ii. Owners who are close family members; or

iii. Common key management.

However, entities that are under common control by a state (this is, a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a

[6a] The applicable FRS would be FRS 24 _Related Party Disclosures_.

significant extent with one another.

Requirements

Risk Assessment Procedures and Related Activities

11. As part of the risk assessment procedures and related activities that SSA 315 (Revised) and SSA 240 require the auditor to perform during the audit[7], the auditor shall perform the audit procedures and related activities set out in paragraphs 12-17 to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions. (Ref: Para. A8)

Understanding the Entity's Related Party Relationships and Transactions

12. The engagement team discussion that SSA 315 (Revised) and SSA 240 require[8] shall include specific consideration of the susceptibility of the financial statements to material misstatement due to fraud or error that could result from the entity's related party relationships and transactions. (Ref: Para. A9-A10)

13. The auditor shall inquire of management regarding:

    (a) The identity of the entity's related parties, including changes from the prior period; (Ref: Para. A11-A14)

    (b) The nature of the relationships between the entity and these related parties; and

    (c) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions.

14. The auditor shall inquire of management and others within the entity, and perform other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, that management has established to: (Ref: Para. A15-A20)

    (a) Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework;

    (b) Authorize and approve significant transactions and arrangements with related parties; and (Ref: Para. A21)

    (c) Authorize and approve significant transactions and arrangements outside the normal course of business.

Maintaining Alertness for Related Party Information When Reviewing Records or Documents

15. During the audit, the auditor shall remain alert, when inspecting records or documents, for arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor. (Ref: Para. A22-A23)

    In particular, the auditor shall inspect the following for indications of the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor:

    (a) Bank and legal confirmations obtained as part of the auditor's procedures;

    (b) Minutes of meetings of shareholders and of those charged with governance; and

[7] SSA 315 (Revised), paragraph 5; SSA 240, paragraph 16.
[8] SSA 315 (Revised), paragraph 10; SSA 240 paragraph 15.

(c) Such other records or documents as the auditor considers necessary in the circumstances of the entity.

16. If the auditor identifies significant transactions outside the entity's normal course of business when performing the audit procedures required by paragraph 15 or through other audit procedures, the auditor shall inquire of management about: (Ref: Para. A24-A25)

(a) The nature of these transactions; and (Ref: Para. A26)

(b) Whether related parties could be involved. (Ref: Para. A27)

Sharing Related Party Information with the Engagement Team

17. The auditor shall share relevant information obtained about the entity's related parties with the other members of the engagement team. (Ref: Para. A28)

Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

18. In meeting the SSA 315 (Revised) requirement to identify and assess the risks of material misstatement[9], the auditor shall identify and assess the risks of material misstatement associated with related party relationships and transactions and determine whether any of those risks are significant risks. In making this determination, the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks.

19. If the auditor identifies fraud risk factors (including circumstances relating to the existence of a related party with dominant influence) when performing the risk assessment procedures and related activities in connection with related parties, the auditor shall consider such information when identifying and assessing the risks of material misstatement due to fraud in accordance with SSA 240. (Ref: Para. A6 and A29-A30)

Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

20. As part of the SSA 330 requirement that the auditor respond to assessed risks[10], the auditor designs and performs further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions. These audit procedures shall include those required by paragraphs 21-24. (Ref: Para. A31-A34)

Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions

21. If the auditor identifies arrangements or information that suggests the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor, the auditor shall determine whether the underlying circumstances confirm the existence of those relationships or transactions.

22. If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor shall:

(a) Promptly communicate the relevant information to the other members of the engagement team; (Ref: Para. A35)

(b) Where the applicable financial reporting framework establishes related party

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[9] SSA 315 (Revised), paragraph25.

[10] SSA 330, paragraphs 5-6.

requirements:

(i) Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation; and

(ii) Inquire as to why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions;

(c) Perform appropriate substantive audit procedures relating to such newly identified related parties or significant related party transactions; (Ref: Para. A36)

(d) Reconsider the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and

(e) If the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud), evaluate the implications for the audit. (Ref: Para. A37)

Identified Significant Related Party Transactions outside the Entity's Normal Course of Business

23. For identified significant related party transactions outside the entity's normal course of business, the auditor shall:

(a) Inspect the underlying contracts or agreements, if any, and evaluate whether:

(i) The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets[11]; (Ref: Para. A38-A39)

(ii) The terms of the transactions are consistent with management's explanations; and

(iii) The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and

(b) Obtain audit evidence that the transactions have been appropriately authorized and approved. (Ref: Para. A40-A41)

Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm's Length Transaction

24. Ifmanagement has made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction, the auditor shall obtain sufficient appropriate audit evidence about the assertion. (Ref: Para. A42-A45)

Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

25. In forming an opinion on the financial statements in accordance with SSA 700[12], the auditor shall evaluate: (Ref: Para. A46)

(a) Whether the identified related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial

[11] SSA 240, paragraph 32(c).
[12] SSA 700, "*Forming an Opinion and Reporting on Financial Statements*," paragraphs 10-15.

reporting framework; and (Ref: Para. A47)

(b) Whether the effects of the related party relationships and transactions:

(i) Prevent the financial statements from achieving fair presentation (for fair presentation frameworks); or

(ii) Cause the financial statements to be misleading (for compliance frameworks).

Written Representations

26. Where the applicable financial reporting framework establishes related party requirements, the auditor shall obtain written representations from management and, where appropriate, those charged with governance that: (Ref: Para. A48-A49)

(a) They have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and

(b) They have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.

Communication with Those Charged with Governance

27. Unless all of those charged with governance are involved in managing the entity[13], the auditor shall communicate with those charged with governance significant matters arising during the audit in connection with the entity's related parties. (Ref: Para. A50)

Documentation

28. The auditor shall include in the audit documentation the names of the identified related parties and the nature of the related party relationships[14].

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Application and Other Explanatory Material

Responsibilities of the Auditor

Financial Reporting Frameworks That Establish Minimal Related Party Requirements (Ref: Para. 4)

A1. An applicable financial reporting framework that establishes minimal related party requirements is one that defines the meaning of a related party but that definition has a substantially narrower scope than the definition set out in paragraph 10(b)(ii) of this SSA, so that a requirement in the framework to disclose related party relationships and transactions would apply to substantially fewer related party relationships and transactions.

Fair Presentation Frameworks (Ref: Para. 4(a))

A2. In the context of a fair presentation framework[15], related party relationships and transactions may cause the financial statements to fail to achieve fair presentation if, for example, the economic reality of such relationships and transactions is not appropriately reflected in the financial statements. For instance, fair presentation may not be achieved if the sale of a

[13] ISA 260, "*Communication with Those Charged with Governance*," paragraph 13.
[14] ISA 230, "*Audit Documentation*," paragraphs 8-11, and paragraph A6.

[15] SSA 200, paragraph 13(a), defines the meaning of fair presentation and compliance frameworks.

property by the entity to a controlling shareholder at a price above or below fair market value has been accounted for as a transaction involving a profit or loss for the entity when it may constitute a contribution or return of capital or the payment of a dividend.

Compliance Frameworks (Ref: Para. 4(b))

A3. In the context of a compliance framework, whether related party relationships and transactions cause the financial statements to be misleading as discussed in SSA 700 depends upon the particular circumstances of the engagement. For example, even if non-disclosure of related party transactions in the financial statements is in compliance with the framework and applicable law or regulation, the financial statements could be misleading if the entity derives a very substantial portion of its revenue from transactions with related parties, and that fact is not disclosed. However, it will be extremely rare for the auditor to consider financial statements that are prepared and presented in accordance with a compliance framework to be misleading if in accordance with SSA 210[16] the auditor determined that the framework is acceptable[17].

Definition of a Related Party (Ref: Para. 10(b))

A4. Many financial reporting frameworks discuss the concepts of control and significant influence. Although they may discuss these concepts using different terms, they generally explain that:

(a) Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities; and

(b) Significant influence (which may be gained by share ownership, statute or agreement) is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

A5. The existence of the following relationships may indicate the presence of control or significant influence:

(a) Direct or indirect equity holdings or other financial interests in the entity.

(b) The entity's holdings of direct or indirect equity or other financial interests in other entities.

(c) Being part of those charged with governance or key management (that is, those members of management who have the authority and responsibility for planning, directing and controlling the activities of the entity).

(d) Being a close family member of any person referred to in subparagraph (c).

(e) Having a significant business relationship with any person referred to in subparagraph (c).

Related Parties with Dominant Influence

A6. Related parties, by virtue of their ability to exert control or significant influence, may be in a position to exert dominant influence over the entity or its management. Consideration of such behavior is relevant when identifying and assessing the risks of material misstatement due to fraud, as further explained in paragraphs A29-A30.

[16] SSA 210, "*Agreeing the Terms of Audit Engagements*," paragraph 6(a).
[17] SSA 700, paragraph A12.

Special-Purpose Entities as Related Parties

A7. In some circumstances, a special-purpose entity[18] may be a related party of the entity because the entity may in substance control it, even if the entity owns little or none of the special-purpose entity's equity.

Risk Assessment Procedures and Related Activities

Risks of Material Misstatement Associated with Related Party Relationships and Transactions (Ref: Para. 11)

Considerations Specific to Public Sector Entities

A8. The public sector auditor's responsibilities regarding related party relationships and transactions may be affected by the audit mandate, or by obligations on public sector entities arising from law, regulation or other authority. Consequently, the public sector auditor's responsibilities may not be limited to addressing the risks of material misstatement associated with related party relationships and transactions, but may also include a broader responsibility to address the risks of non-compliance with law, regulation and other authority governing public sector bodies that lay down specific requirements in the conduct of business with related parties. Further, the public sector auditor may need to have regard to public sector financial reporting requirements for related party relationships and transactions that may differ from those in the private sector.

Understanding the Entity's Related Party Relationships and Transactions

Discussion among the Engagement Team (Ref: Para. 12)

A9. Matters that may be addressed in the discussion among the engagement team include:

- The nature and extent of the entity's relationships and transactions with related parties (using, for example, the auditor's record of identified related parties updated after each audit).
- An emphasis on the importance of maintaining professional skepticism throughout the audit regarding the potential for material misstatement associated with related party relationships and transactions.
- The circumstances or conditions of the entity that may indicate the existence of related party relationships or transactions that management has not identified or disclosed to the auditor (for example, a complex organizational structure, use of special-purpose entities for off-balance sheet transactions, or an inadequate information system).
- The records or documents that may indicate the existence of related party relationships or transactions.
- The importance that management and those charged with governance attach to the identification, appropriate accounting for, and disclosure of related party relationships and transactions (if the applicable financial reporting framework establishes related party requirements), and the related risk of management override of relevant controls.

A10. In addition, the discussion in the context of fraud may include specific consideration of how related parties may be involved in fraud. For example:

- How special-purpose entities controlled by management might be used to facilitate earnings management.

[18] SSA 315 (Revised), paragraphs A33-A34, provides guidance regarding the nature of a special-purpose entity.

- How transactions between the entity and a known business partner of a key member of management could be arranged to facilitate misappropriation of the entity's assets.

The Identity of the Entity's Related Parties (Ref: Para. 13(a))

A11. Where the applicable financial reporting framework establishes related party requirements, information regarding the identity of the entity's related parties is likely to be readily available to management because the entity's information systems will need to record, process and summarize related party relationships and transactions to enable the entity to meet the accounting and disclosure requirements of the framework. Management is therefore likely to have a comprehensive list of related parties and changes from the prior period. For recurring engagements, making the inquiries provides a basis for comparing the information supplied by management with the auditor's record of related parties noted in previous audits.

A12. However, where the framework does not establish related party requirements, the entity may not have such information systems in place. Under such circumstances, it is possible that management may not be aware of the existence of all related parties. Nevertheless, the requirement to make the inquiries specified by paragraph 13 still applies because management may be aware of parties that meet the related party definition set out in this SSA. In such a case, however, the auditor's inquiries regarding the identity of the entity's related parties are likely to form part of the auditor's risk assessment procedures and related activities performed in accordance with SSA 315 (Revised) to obtain information regarding:

- The entity's ownership and governance structures;
- The types of investments that the entity is making and plans to make; and
- The way the entity is structured and how it is financed.

In the particular case of common control relationships, as management is more likely to be aware of such relationships if they have economic significance to the entity, the auditor's inquiries are likely to be more effective if they are focused on whether parties with which the entity engages in significant transactions, or shares resources to a significant degree, are related parties.

A13. In the context of a group audit, SSA 600 requires the group engagement team to provide each component auditor with a list of related parties prepared by group management and any other related parties of which the group engagement team is aware[19]. Where the entity is a component within a group, this information provides a useful basis for the auditor's inquiries of management regarding the identity of the entity's related parties.

A14. The auditor may also obtain some information regarding the identity of the entity's related parties through inquiries of management during the engagement acceptance or continuance process.

The Entity's Controls over Related Party Relationships and Transactions (Ref: Para. 14)

A15. Others within the entity are those considered likely to have knowledge of the entity's related party relationships and transactions, and the entity's controls over such relationships and transactions. These may include, to the extent that they do not form part of management:

- Those charged with governance;
- Personnel in a position to initiate, process, or record transactions that are both significant and outside the entity's normal course of business, and those who supervise or monitor such personnel;

[19] SSA 600, "*Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*," paragraph 40(e).

- The internal audit function;
- In-house legal counsel; and
- The chief ethics officer or equivalent person.

A16. The audit is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged and understand that they have responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation, and for such internal control as management and, where appropriate, those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error[20]. Accordingly, where the framework establishes related party requirements, the preparation of the financial statements requires management, with oversight from those charged with governance, to design, implement and maintain adequate controls over related party relationships and transactions so that these are identified and appropriately accounted for and disclosed in accordance with the framework. In their oversight role, those charged with governance monitor how management is discharging its responsibility for such controls. Regardless of any related party requirements the framework may establish, those charged with governance may, in their oversight role, obtain information from management to enable them to understand the nature and business rationale of the entity's related party relationships and transactions.

A17. In meeting the SSA 315 (Revised) requirement to obtain an understanding of the control environment[21], the auditor may consider features of the control environment relevant to mitigating the risks of material misstatement associated with related party relationships and transactions, such as:

- Internal ethical codes, appropriately communicated to the entity's personnel and enforced, governing the circumstances in which the entity may enter into specific types of related party transactions.
- Policies and procedures for open and timely disclosure of the interests that management and those charged with governance have in related party transactions.
- The assignment of responsibilities within the entity for identifying, recording, summarizing, and disclosing related party transactions.
- Timely disclosure and discussion between management and those charged with governance of significant related party transactions outside the entity's normal course of business, including whether those charged with governance have appropriately challenged the business rationale of such transactions (for example, by seeking advice from external professional advisors).
- Clear guidelines for the approval of related party transactions involving actual or perceived conflicts of interest, such as approval by a subcommittee of those charged with governance comprising individuals independent of management.
- Periodic reviews by the internal audit function, where applicable.
- Proactive action taken by management to resolve related party disclosure issues, such as by seeking advice from the auditor or external legal counsel.
- The existence of whistle-blowing policies and procedures, where applicable.

A18. Controls over related party relationships and transactions within some entities may be deficient or non-existent for a number of reasons, such as:

[20] SSA 200, paragraph A2.
[21] SSA 315 (Revised), paragraph 14.

- The low importance attached by management to identifying and disclosing related party relationships and transactions.
- The lack of appropriate oversight by those charged with governance.
- An intentional disregard for such controls because related party disclosures may reveal information that management considers sensitive, for example, the existence of transactions involving family members of management.
- An insufficient understanding by management of the related party requirements of the applicable financial reporting framework.
- The absence of disclosure requirements under the applicable financial reporting framework.

Where such controls are ineffective or non-existent, the auditor may be unable to obtain sufficient appropriate audit evidence about related party relationships and transactions. If this were the case, the auditor would, in accordance with SSA 705[22], consider the implications for the audit, including the opinionin the auditor's report.

A19. Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively[23]. The risk of management override of controls is higher if management has relationships that involve control or significant influence with parties with which the entity does business because these relationships may present management with greater incentives and opportunities to perpetrate fraud. For example, management's financial interests in certain related parties may provide incentives for management to override controls by (a) directing the entity, against its interests, to conclude transactions for the benefit of these parties, or (b) colluding with such parties or controlling their actions. Examples of possible fraud include:

- Creating fictitious terms of transactions with related parties designed to misrepresent the business rationale of these transactions.
- Fraudulently organizing the transfer of assets from or to management or others at amounts significantly above or below market value.
- Engaging in complex transactions with related parties, such as special-purpose entities, that are structured to misrepresent the financial position or financial performance of the entity.

Considerations specific to smaller entities

A20. Control activities in smaller entities are likely to be less formal and smaller entities may have no documented processes for dealing with related party relationships and transactions. An owner-manager may mitigate some of the risks arising from related party transactions, or potentially increase those risks, through active involvement in all the main aspects of the transactions. For such entities, the auditor may obtain an understanding of the related party relationships and transactions, and any controls that may exist over these, through inquiry of management combined with other procedures, such as observation of management's oversight and review activities, and inspection of available relevant documentation.

Authorization and approval of significant transactions and arrangements (Ref: Para. 14(b))

A21. Authorization involves the granting of permission by a party or parties with the appropriate authority (whether management, those charged with governance or the entity's shareholders) for the entity to enter into specific transactions in accordance with pre-determined criteria,

[22] SSA 705, "*Modifications to the Opinion in the Independent Auditor's Report*".
[23] SSA 240, paragraphs 31 and A4.

whether judgmental or not. Approval involves those parties' acceptance of the transactions the entity has entered into as having satisfied the criteria on which authorization was granted. Examples of controls the entity may have established to authorize and approve significant transactions and arrangements with related parties or significant transactions and arrangements outside the normal course of business include:

- Monitoring controls to identify such transactions and arrangements for authorization and approval.
- Approval of the terms and conditions of the transactions and arrangements by management, those charged with governance or, where applicable, shareholders.

Maintaining Alertness for Related Party Information When Reviewing Records or Documents

Records or Documents That the Auditor May Inspect (Ref: Para. 15)

A22. During the audit, the auditor may inspect records or documents that may provide information about related party relationships and transactions, for example:

- Third-party confirmations obtained by the auditor (in addition to bank and legal confirmations).
- Entity income tax returns.
- Information supplied by the entity to regulatory authorities.
- Shareholder registers to identify the entity's principal shareholders.
- Statements of conflicts of interest from management and those charged with governance.
- Records of the entity's investments and those of its pension plans.
- Contracts and agreements with key management or those charged with governance.
- Significant contracts and agreements not in the entity's ordinary course of business.
- Specific invoices and correspondence from the entity's professional advisors.
- Life insurance policies acquired by the entity.
- Significant contracts re-negotiated by the entity during the period.
- Reports of the internal audit function.
- Documents associated with the entity's filings with a securities regulator (for example prospectuses).

Arrangements that may indicate the existence of previously unidentified or undisclosed related party relationships or transactions

A23. An arrangement involves a formal or informal agreement between the entity and one or more other parties for such purposes as:

- The establishment of a business relationship through appropriate vehicles or structures.
- The conduct of certain types of transactions under specific terms and conditions.

- The provision of designated services or financial support.

Examples of arrangements that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor include:

- Participation in unincorporated partnerships with other parties.
- Agreements for the provision of services to certain parties under terms and conditions that are outside the entity's normal course of business.
- Guarantees and guarantor relationships.

Identification of Significant Transactions outside the Normal Course of Business (Ref: Para. 16)

A24. Obtaining further information on significant transactions outside the entity's normal course of business enables the auditor to evaluate whether fraud risk factors, if any, are present and, where the applicable financial reporting framework establishes related party requirements, to identify the risks of material misstatement.

A25. Examples of transactions outside the entity's normal course of business may include:

- Complex equity transactions, such as corporate restructurings or acquisitions.
- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns.
- Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

Understanding the nature of significant transactions outside the normal course of business (Ref: Para. 16(a))

A26. Inquiring into the nature of the significant transactions outside the entity's normal course of business involves obtaining an understanding of the business rationale of the transactions, and the terms and conditions under which these have been entered into.

Inquiring into whether related parties could be involved (Ref: Para. 16(b))

A27. A related party could be involved in a significant transaction outside the entity's normal course of business not only by directly influencing the transaction through being a party to the transaction, but also by indirectly influencing it through an intermediary. Such influence may indicate the presence of a fraud risk factor.

Sharing Related Party Information with the Engagement Team (Ref: Para. 17)

A28. Relevant related party information that may be shared among the engagement team members includes, for example:

- The identity of the entity's related parties.
- The nature of the related party relationships and transactions.
- Significant or complex related party relationships or transactions that may require special audit consideration, in particular transactions in which management or those

charged with governance are financially involved.

Identification and Assessment of the Risks of Material Misstatement Associated with Related Party Relationships and Transactions

Fraud Risk Factors Associated with a Related Party with Dominant Influence (Ref: Para. 19)

A29. Domination of management by a single person or small group of persons without compensating controls is a fraud risk factor[24]. Indicators of dominant influence exerted by a related party include:

- The related party has vetoed significant business decisions taken by management or those charged with governance.
- Significant transactions are referred to the related party for final approval.
- There is little or no debate among management and those charged with governance regarding business proposals initiated by the related party.
- Transactions involving the related party (or a close family member of the related party) are rarely independently reviewed and approved.

Dominant influence may also exist in some cases if the related party has played a leading role in founding the entity and continues to play a leading role in managing the entity.

A30. In the presence of other risk factors, the existence of a related party with dominant influence may indicate significant risks of material misstatement due to fraud. For example:

- An unusually high turnover of senior management or professional advisors may suggest unethical or fraudulent business practices that serve the related party's purposes.
- The use of business intermediaries for significant transactions for which there appears to be no clear business justification may suggest that the related party could have an interest in such transactions through control of such intermediaries for fraudulent purposes.
- Evidence of the related party's excessive participation in or preoccupation with the selection of accounting policies or the determination of significant estimates may suggest the possibility of fraudulent financial reporting.

Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions (Ref: Para. 20)

A31. The nature, timing and extent of the further audit procedures that the auditor may select to respond to the assessed risks of material misstatement associated with related party relationships and transactions depend upon the nature of those risks and the circumstances of the entity[25].

A32. Examples of substantive audit procedures that the auditor may perform when the auditor has assessed a significant risk that management has not appropriately accounted for or disclosed specific related party transactions in accordance with the applicable financial reporting framework (whether due to fraud or error) include:

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[24] SSA 240, Appendix 1.

[25] SSA 330 provides further guidance on considering the nature, timing and extent of further audit procedures. SSA 240 establishes requirements and provides guidance on appropriate responses to assessed risks of material misstatement due to fraud.

- Confirming or discussing specific aspects of the transactions with intermediaries such as banks, law firms, guarantors, or agents, where practicable and not prohibited by law, regulation or ethical rules.

- Confirming the purposes, specific terms or amounts of the transactions with the related parties (this audit procedure may be less effective where the auditor judges that the entity is likely to influence the related parties in their responses to the auditor).

- Where applicable, reading the financial statements or other relevant financial information, if available, of the related parties for evidence of the accounting of the transactions in the related parties' accounting records.

A33. If the auditor has assessed a significant risk of material misstatement due to fraud as a result of the presence of a related party with dominant influence, the auditor may, in addition to the general requirements of SSA 240, perform audit procedures such as the following to obtain an understanding of the business relationships that such a related party may have established directly or indirectly with the entity and to determine the need for further appropriate substantive audit procedures:

- Inquiries of, and discussion with, management and those charged with governance.

- Inquiries of the related party.

- Inspection of significant contracts with the related party.

- Appropriate background research, such as through the Internet or specific external business information databases.

- Review of employee whistle-blowing reports where these are retained.

A34. Depending upon the results of the auditor's risk assessment procedures, the auditor may consider it appropriate to obtain audit evidence without testing the entity's controls over related party relationships and transactions. In some circumstances, however, it may not be possible to obtain sufficient appropriate audit evidence from substantive audit procedures alone in relation to the risks of material misstatement associated with related party relationships and transactions. For example, where intra-group transactions between the entity and its components are numerous and a significant amount of information regarding these transactions is initiated, recorded, processed or reported electronically in an integrated system, the auditor may determine that it is not possible to design effective substantive audit procedures that by themselves would reduce the risks of material misstatement associated with these transactions to an acceptably low level. In such a case, in meeting the SSA 330 requirement to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls[26], the auditor is required to test the entity's controls over the completeness and accuracy of the recording of the related party relationships and transactions.

Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions

Communicating Newly Identified Related Party Information to the Engagement Team (Ref: Para. 22(a))

A35. Communicating promptly any newly identified related parties to the other members of the engagement team assists them in determining whether this information affects the results of, and conclusions drawn from, risk assessment procedures already performed, including whether the risks of material misstatement need to be reassessed.

[26] SSA 330, paragraph 8(b).

Substantive Procedures Relating to Newly Identified Related Parties or Significant Related Party Transactions (Ref: Para. 22(c))

A36. Examples of substantive audit procedures that the auditor may perform relating to newly identified related parties or significant related party transactions include:

- Making inquiries regarding the nature of the entity's relationships with the newly identified related parties, including (where appropriate and not prohibited by law, regulation or ethical rules) inquiring of parties outside the entity who are presumed to have significant knowledge of the entity and its business, such as legal counsel, principal agents, major representatives, consultants, guarantors, or other close business partners.
- Conducting an analysis of accounting records for transactions with the newly identified related parties. Such an analysis may be facilitated using computer-assisted audit techniques.
- Verifying the terms and conditions of the newly identified related party transactions, and evaluating whether the transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.

Intentional Non-Disclosure by Management (Ref: Para. 22(e))

A37. The requirements and guidance in SSA 240 regarding the auditor's responsibilities relating to fraud in an audit of financial statements are relevant where management appears to have intentionally failed to disclose related parties or significant related party transactions to the auditor. The auditor may also consider whether it is necessary to re-evaluate the reliability of management's responses to the auditor's inquiries and management's representations to the auditor.

Identified Significant Related Party Transactions outside the Entity's Normal Course of Business

Evaluating the Business Rationale of Significant Related Party Transactions (Ref: Para. 23)

A38. In evaluating the business rationale of a significant related party transaction outside the entity's normal course of business, the auditor may consider the following:

- Whether the transaction:
  - o Is overly complex (for example, it may involve multiple related parties within a consolidated group).
  - o Has unusual terms of trade, such as unusual prices, interest rates, guarantees and repayment terms.
  - o Lacks an apparent logical business reason for its occurrence.
  - o Involves previously unidentified related parties.
  - o Is processed in an unusual manner.
- Whether management has discussed the nature of, and accounting for, such a transaction with those charged with governance.
- Whether management is placing more emphasis on a particular accounting treatment rather than giving due regard to the underlying economics of the transaction.

If management's explanations are materially inconsistent with the terms of the related party

transaction, the auditor is required, in accordance with SSA 500[27], to consider the reliability of management's explanations and representations on other significant matters.

A39. The auditor may also seek to understand the business rationale of such a transaction from the related party's perspective, as this may help the auditor to better understand the economic reality of the transaction and why it was carried out. A business rationale from the related party's perspective that appears inconsistent with the nature of its business may represent a fraud risk factor.

Authorization and Approval of Significant Related Party Transactions (Ref: Para. 23(b))

A40. Authorization and approval by management, those charged with governance, or, where applicable, the shareholders of significant related party transactions outside the entity's normal course of business may provide audit evidence that these have been duly considered at the appropriate levels within the entity and that their terms and conditions have been appropriately reflected in the financial statements. The existence of transactions of this nature that were not subject to such authorization and approval, in the absence of rational explanations based on discussion with management or those charged with governance, may indicate risks of material misstatement due to error or fraud. In these circumstances, the auditor may need to be alert for other transactions of a similar nature. Authorization and approval alone, however, may not be sufficient in concluding whether risks of material misstatement due to fraud are absent because authorization and approval may be ineffective if there has been collusion between the related parties or if the entity is subject to the dominant influence of a related party.

Considerations specific to smaller entities

A41. A smaller entity may not have the same controls provided by different levels of authority and approval that may exist in a larger entity. Accordingly, when auditing a smaller entity, the auditor may rely to a lesser degree on authorization and approval for audit evidence regarding the validity of significant related party transactions outside the entity's normal course of business. Instead, the auditor may consider performing other audit procedures such as inspecting relevant documents, confirming specific aspects of the transactions with relevant parties, or observing the owner-manager's involvement with the transactions.

Assertions That Related Party Transactions Were Conducted on Terms Equivalent to Those Prevailing in an Arm's Length Transaction (Ref: Para. 24)

A42. Although audit evidence may be readily available regarding how the price of a related party transaction compares to that of a similar arm's length transaction, there are ordinarily practical difficulties that limit the auditor's ability to obtain audit evidence that all other aspects of the transaction are equivalent to those of the arm's length transaction. For example, although the auditor may be able to confirm that a related party transaction has been conducted at a market price, it may be impracticable to confirm whether other terms and conditions of the transaction (such as credit terms, contingencies and specific charges) are equivalent to those that would ordinarily be agreed between independent parties. Accordingly, there may be a risk that management's assertion that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction may be materially misstated.

A43. The preparation of the financial statements requires management to substantiate an assertion that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction. Management's support for the assertion may include:

- Comparing the terms of the related party transaction to those of an identical or similar transaction with one or more unrelated parties.

- Engaging an external expert to determine a market value and to confirm market terms

[27] SSA 500, "*Audit Evidence*," paragraph 11.

and conditions for the transaction.

- Comparing the terms of the transaction to known market terms for broadly similar transactions on an open market.

A44. Evaluating management's support for this assertion may involve one or more of the following:

- Considering the appropriateness of management's process for supporting the assertion.
- Verifying the source of the internal or external data supporting the assertion, and testing the data to determine their accuracy, completeness and relevance.
- Evaluating the reasonableness of any significant assumptions on which the assertion is based.

A45. Some financial reporting frameworks require the disclosure of related party transactions not conducted on terms equivalent to those prevailing in arm's length transactions. In these circumstances, if management has not disclosed a related party transaction in the financial statements, there may be an implicit assertion that the transaction was conducted on terms equivalent to those prevailing in an arm's length transaction.

Evaluation of the Accounting for and Disclosure of Identified Related Party Relationships and Transactions

Materiality Considerations in Evaluating Misstatements (Ref: Para. 25)

A46. SSA 450 requires the auditor to consider both the size and the nature of a misstatement, and the particular circumstances of its occurrence, when evaluating whether the misstatement is material[28]. The significance of the transaction to the financial statement users may not depend solely on the recorded amount of the transaction but also on other specific relevant factors, such as the nature of the related party relationship.

Evaluation of Related Party Disclosures (Ref: Para. 25(a))

A47. Evaluating the related party disclosures in the context of the disclosure requirements of the applicable financial reporting framework means considering whether the facts and circumstances of the entity's related party relationships and transactions have been appropriately summarized and presented so that the disclosures are understandable. Disclosures of related party transactions may not be understandable if:

(a) The business rationale and the effects of the transactions on the financial statements are unclear or misstated; or

(b) Key terms, conditions, or other important elements of the transactions necessary for understanding them are not appropriately disclosed.

Written Representations (Ref: Para. 26)

A48. Circumstances in which it may be appropriate to obtain written representations from those charged with governance include:

- When they have approved specific related party transactions that (a) materially affect the financial statements, or (b) involve management.
- When they have made specific oral representations to the auditor on details of certain related party transactions.

[28] SSA 450, "*Evaluation of Misstatements Identified during the Audit*," paragraph 11(a). Paragraph A16 of SSA 450 provides guidance on the circumstances that may affect the evaluation of a misstatement.

- When they have financial or other interests in the related parties or the related party transactions.

A49. The auditor may also decide to obtain written representations regarding specific assertions that management may have made, such as a representation that specific related party transactions do not involve undisclosed side agreements.

Communication with Those Charged with Governance (Ref: Para. 27)

A50. Communicating significant matters arising during the audit[29] in connection with the entity's related parties helps the auditor to establish a common understanding with those charged with governance of the nature and resolution of these matters. Examples of significant related party matters include:

- Non-disclosure (whether intentional or not) by management to the auditor of related parties or significant related party transactions, which may alert those charged with governance to significant related party relationships and transactions of which they may not have been previously aware.

- The identification of significant related party transactions that have not been appropriately authorized and approved, which may give rise to suspected fraud.

- Disagreement with management regarding the accounting for and disclosure of significant related party transactions in accordance with the applicable financial reporting framework.

- Non-compliance with applicable law or regulations prohibiting or restricting specific types of related party transactions.

- Difficulties in identifying the party that ultimately controls the entity.

[29] SSA 230, paragraph A8, provides further guidance on the nature of significant matters arising during the audit.

CONFORMING AMENDMENTS

SSA 315, "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment"

The Entity and Its Environment

11. The auditor shall obtain an understanding of the following:

(a) Relevant industry, regulatory, and other external factors including the applicable financial reporting framework. (Ref: Para. A15-A20)

(b) The nature of the entity, including:

(i) Its operations;

(ii) Its ownership and governance structures;

(iii) The types of investments that the entity is making and plans to make, <u>including investments in special-purpose entities</u>; and

(iv) The way that the entity is structured and how it is financed,

to enable the auditor to understand the classes of transactions, account balances, and disclosures to be expected in the financial statements. (Ref: Para. A21-A23)

(c) The entity's selection and application of accounting policies, including the reasons for changes thereto. The auditor shall evaluate whether the entity's accounting policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry. (Ref: Para. A24)

(d) The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement. (Ref: Para. A25-A31)

(e) The measurement and review of the entity's financial performance. (Ref: Para. A32-A37)

The following paragraphs are inserted after paragraph A23 in the Application and Other Explanatory Material section:

Nature of Special-Purpose Entities

A23a. A special-purpose entity (sometimes referred to as a special purpose vehicle) is an entity that is generally established for a narrow and well-defined purpose, such as to effect a lease or a securitization of financial assets, or to carry out research and development activities. It may take the form of a corporation, trust, partnership or unincorporated entity. The entity on behalf of which the special-purpose entity has been created may often transfer assets to the latter (e.g., as part of a derecognition transaction involving financial assets), obtain the right to use the latter's assets, or perform services for the latter, while other parties may provide the funding to the latter. As SSA 550 indicates, in some circumstances, a special-purpose entity may be a related party of the entity[30].

A23b. Financial reporting frameworks often specify detailed conditions that are deemed to amount to control, or circumstances under which the special-purpose entity should be considered for consolidation. The interpretation of the requirements of such frameworks often demands a detailed knowledge of the relevant agreements involving the special-purpose entity.

[30] SSA 550, "*Related Parties*," paragraph A7.

This is the Exhibit marked "**SFW-33**"

referred to in the 12th Affidavit of

SUSAN JANE FLETCHER WATTS

affirmed in the United Kingdom

on this 17th day of March 2018

Before Me,

A NOTARY PUBLIC

RICHARD GARETH GRIFFITHS
Solicitor & Notary Public
Downend Lodge
Chieveley
ENGLAND RG20 8TN

TECHNICAL REPORT

Title: **Analysis of Gemesis Gemstone NL530**

Authors: **Philip Martineau and Brad Cann**

Date: **5 October 2016**

1. SUMMARY

A Gemesis synthetic diamond round brilliant (NL530) with a weight of 0.40 ct, was examined at the DTC Research Centre (now De Beers Technologies UK). It was received with an IGI grading report (report number LG10061905) that indicated that IGI had given it F colour and VS2 clarity grades. The girdle of the stone was laser inscribed “GEMESIS CREATED LG10061905”. The characteristics of this synthetic diamond round brilliant were very similar to those of Gemesis CVD synthetics we have examined in the past and also those of CVD synthetic diamond samples supplied by Gemesis Corp to the GIA [Wang et al. (2012) in Gems and Gemology, Vol. 48, No. 2, pp 80-97]. DiamondSure referred the synthetic diamond as type IIa, and DiamondPLus referred it as a CVD synthetic diamond due to the presence of the 737 nm photoluminescence line. DiamondView images provided evidence that the round brilliant was CVD synthetic in origin and that it had been annealed. Photoluminescence spectroscopy confirmed both of these findings and suggested that the annealing temperature was in the range 1900-2300°C. EPR spectroscopy showed that the synthetic diamond sample contained neutral single substitutional nitrogen at a concentration of 130(20) ppb when measured after heating in the dark and 160(20) ppb when measured after UV illumination. These measurements are consistent with those obtained using UV-visible absorption spectroscopy. A plate (with a thickness of 0.72 mm and weight 0.20 ct) was processed from the stone, leaving its girdle inscription intact in order to aid future verification of the sample. The absorption coefficient of the plate at 1.06 μm was found to be 0.024(3) cm^{-1}. Birefringence measurements were performed on the plate at Warwick University using a Metripol microscope. Only first order birefringence was observed and over a selected 1.3 mm x 1.3 mm area sin δ and |sin δ| do not exceed 0.352(20). Over a selected 2.5 mm x 2.5 mm area sin δ and |sin δ| do not exceed 0.573(20). For a 1.3 mm x 1.3 mm area the maximum Δn value was 4.69(30) x 10^{-5} and for a 2.5 mm x 2.5 mm area the maximum Δn was 7.96(30) x 10^{-5}.

2. INTRODUCTION

A round brilliant polished gemstone of 0.40 ct weight was received at the DTC Research Centre on 8th May 2012. It was assigned parcel number NL530. Along with the sample, documentation indicating its origin was supplied. This included an invoice and packing note from Gemesis (please see Figures 1 & 2) and an IGI certificate (Figure 3). The details of the sample are shown in Table 1.

INVOICE

Gemesis Diamond Company
10530 PORTAL CROSSING #103 LAKEWOOD RANCH
FLORIDA-34211 :USA
Phone: (941) 840-6000
Fax: (941) 840-6019
Email : www.gemesis.com

Invoice No #: INV-REF/01-JAN-12/31
Date : 04/16/2012
Customer PO#
Payment Terms :
Shipped Via :

Sold To
Chuiguan Ng
Blk 130, Simei Street 1 #09-250
Singapore,520130 SG
Contact#

Ship To
Chuiguan Ng
Blk 130, Simei Street 1 #09-250
Singapore,520130 SG
Contact#

All Prices i

#	Style#	Customer Style #	Qty	Carat Weight	Description	UOM (Each or Per Carat)	Unit Cost	Total Cost
1	D0000000000000000006173 DM-RND-VS2-H-4.80MM (4.7-4.95)-VGD-NONE-NONE		1	0.400	LG10061905	Per Pieces	$734.96	$734.9

lotes :				
racking#	1	0.400	Subtotal	$734.9(
			TOTAL DUE	$0.0(

THANK YOU FOR YOUR ORDER.
isclosure: All diamonds from Gemesis are lab-created,guaranteeing a socially and ecologically responsible point of origin.
age 1 of 1

Figure 1: Scanned copy of the invoice that was included with the Gemesis sample.